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PARIS. WEDNESDAY, DECEMBER 16, 1992

**ESTABLISHED 1887** 



Family and friends of Sergeant Major Nissim Toledano, who was slain after being kidnapped by Islamic militants, gathering at his home to console each other.

### Stabbed Body Of Kidnapped Border Guard Found in Israel

By Clyde Haberman New York Times Service

KFAR ADUMIM, Israeli-Occupied West Bank - The stabbed and bound body of an Israeli border policeman was found Tuesday alongside a highway near this Jewish settle-ment outside Jerusalem, two days after Islamic militants kidnapped him in an attempt to free their jailed leader.

The murder of Sergeant Major Nissim Toledano, 29, sent waves of anti-Arab anger rolling across Israel, where many people were already badly shaken by an abduction viewed as a daring challenge to Israeli authority, especially in the occupied West Bank and Gaza Strip.

Cries for vengeance were intense in Ser geant Toledano's hometown of Lod, a mixed Jewish and Arab town in Israel proper, Soon after word of his death came, policemen circled the main Arab quarter to keep bands of screaming Jewish youths from entering, and arrested 14 of them.

In the Knesset, or parliament, politicians of all ideological stripes demanded a swift and harsh crackdown against Hamas, a Gaza-based group of Islamic militants that rejects both Israeli statehood and Palestinian involvement in the Middle East peace talks. Hamas has claimed responsibility for the deaths of five uniformed Israelis in the last

On Sunday, an armed wing of the organization said it had taken Sergeant Toledano captive, threatening to kill him unless Israel released the imprisoned founder of their movement, Sheikh Ahmed Yassin.

Even committed doves who do not normally call for tough measures insisted on anti-Hamas reprisals, which a few said could include deportations, an action they have

See ISRAEL, Page 6

### Along the Road to Somali Famine, Troops See Signs of Health

By Eric Schmitt New York Times Service

BALI DOGLE, Somalia -- Lance Corporal Larry Abeyta gazed out at the lush cornfields and herds of cattle and camels whizzing by his window, and couldn't belo wendering whether he was in America's heartland instead of Soma-

"We were expecting a desert wasteland, not this," said Corporal Abeyta, 25, a TOW anti-tank gunner from Redondo Beach, California.

"There's all this fertile farmland. It's rained while we were here. And we haven't seen any starving people.

A convoy of some 700 U.S. Marines and epicenter of the man-made famine belt. And many Marines said the three-hour drive to Bali the Soviet-built airstrip in Bali Dogle, which Dogle, the midway point, was a journey in will be the major staging area for relief supplies Dogle, the midway point, was a journey in contradictions with a touch of the absurd.

Marines said that despite all they had heard about starving Somalis, the people along the route seemed relatively well-fed. The troops French Foreign Legionnaires in 76 vehicles, and suppers, yet they encountered only friendly becam the 250 billiometer trip to Buildes in the country tolk and manete And in a seminder of first push into the Somali interior toward the how the geopolitical landscape has shifted here. an American flag flew over the control tower of

The Marines were scheduled to leave the air base early Wednesday, and all vehicles are under strict orders to drive with their lights off for security reasons. Some soldiers, however, think the precau-

tions and the show of might have been a tad

"Everybody's cranking this up to be something it's not," said Lance Corporal Freddie Piro, 26, a Marine sniper from Los Angeles. We could have done this mission with a lot

less, but we wanted to scare the crap out of people. It's also an insurance policy so that we don't get hurt."

To be sure, the conditions in Baidoa, where the Marines are to arrive early Wednesday, are much worse than they were along the road from Mogadishu. The number of people dying from starvation had dropped to 50 a day last month from a high of 300 a day in September, but

See SOMALIA, Page 6

### In Russian Power Shift, An Unfinished Agenda

By Michael Dobbs

Washington Post Service

MOSCOW — When Yegor T. Gaidar accepted the task of putting Russia on the road to capitalism, he described himself as a political kamikaze. His main goal, he said, was not to cling to office but to ensure the irreversibility of the reforms.

After a year of free-market policies, Russia is in many ways a very different country from the one that Prime Minister Gaidar and his government inherited. Prices have been freed. The communist system of centralized distribution has been largely dismantled. Money has replaced barter as the driving force of the economy. Moscow and other large cities have been transformed by the presence of tens of thousands of street

At the same time, there is a lot that the Gaidar government has been unable to achieve. Large-scale privatization is only beginning to get under way. Entrepreneurial energies have been channeled into trade rather than production. By failing to meet inflation and budget-deficit targets set by the International Monetary Fund, the government has failed to lock Russia into the "virtuous cycle" that could have opened the door to massive foreign investment and the

radical restructuring of the economy. Mr. Gaidar, who formerly was a commentator for the Communist Party newspaper Pravda, is likely to go down in Russian history as the man who drove the last nail into the coffin of communism. But that is very different from building capitalism. As

ris N. Yeltsin in his battle with conservative legislators, there is a sense that the task of building a stable free-market democracy has

only begun.
"Everybody knew that this government would be forced to step down sooner rather than later," said Leonid Guzman, a political scientist and adviser to the Gaidar team. "But right up until the last minute, they hoped to get another three or four months, which might have allowed them to build the basis of a healthy economy."

In the view of most analysts here, Mr. Gaidar's ouster is likely at the least to mean a slowing of the economic plan and could signal the beginning of a retreat. The new

#### **NEWS ANALYSIS**

prime minister, Viktor S. Chernomyrdin, is an industrialist steeped in the ways of the system that Mr. Gaidar sought to supplant. He has pledged to continue the changes, but not at the price of "the impoverishment of the people.

This is an important change of economic strategy," said Viktor Sheinis, a liberal legislator and supporter of Mr. Gaidar's. "Chernomyrdin will favor a larger role for govern-ment in the economy. He is likely to put the emphasis on economic stabilization, and stopping the decline in industrial production, rather than financial stabilization." Although Mr. Gaidar frequently was de-picted as a cold-hearted monetarist, the poli-

See RUSSIA, Page 6

Russia's new prime minister is known as a hard-working, competent manager. Page 7

Leadership moves to reassure the West on plans for economic change. Page 2.

### A 'Bush Doctrine' on Applying U.S. Force

By Paul F. Horvitz

nal Revald Tribune WASHINGTON - A month before leaving office, President George Bush set forth an expansive doctrine for U.S. involvement abroad Tuesday that places issues of morality on the same plane with promoting democracy and free

Mr. Bush made the case as strongly as he had ever done during his presidency that U.S. lead-ership was crucial to world order and that a secure and democratic world was, in turn, crucial to U.S. security and economic growth.

The president, in a speech at Texas A & M University, where his presidential library will be built, also made the case more strongly than he had ever done that questions of morality and conscience should play a central role in the exercise of U.S. foreign policy.

With thousands of U.S. troops massing in Somalia on an humanitarian mission, Mr. Bush declared that a failure to act to bring food to starving Somalis "would scar the soul of our He warned Americans not to turn inward

now that the Cold War has been won. In calling for an activist U.S. foreign policy,

hich he has always supported, Mr. Bush set forth, for the first time, carefully prescribed criteria for sending U.S. forces abroad on humanitarian missions: It must be warranted, effective and limited in scope and time.

"The leadership, the power and, yes, the conscience of the United States of America all are essential for a peaceful, prosperous international order, just as such an order is essential for us," Mr. Bush said. He called for the "patient and judicious application of American

leadership, American power and most of all, American moral force

American leadership, he said, has been "indispensable in promoting democracy and opening trade. The alternative to American leadership, he added, "is not more security for Americans but less."

"Our choice as a people is simple," the president said. "We can either shape our times or we can let the times shape us. And shape us they will at a price frightening to contemplate -morally, economically, strategically."

He continued: "Morally, a failure to respond to massive human catastrophes like that in Somalia would scar the soul of our nation. There can be no single or simple set of guidelines for foreign policy. We should help, but we

See BUSH, Page 6

### 'Bill Clinton Live': Not Just a Talk Show

By Thomas L. Friedman

New York Times Service
LITTLE ROCK, Arkansas — Watching Bill Clinton moderate the first nationally televised economics talk show, Larry King sounded both

envious and a little proprietary.

"Bill Clinton is a natural," said Mr. King, the host of a talk show on CNN. "He's just got to learn to move through the call-ins faster. I feel personally responsible for his growth and success. He's promised to appear on my show twice s vest. Maybe I won't even have to be there now. Don't forget, he's a young man. He'll be looking for work in eight years, and I can see us going head to head: 'Larry King Live' and 'Bill Clinton Live.' "

Actually, the future is now. After an election year dominated by talk-show politics, Mr. Clinton has taken the medium one step further. The televised economic conference here was more

than just another campaign town hall meeting to gin up support for the Clinton agenda. Mr. Clinton used the talk-show format in the service of something larger than the partisan political sound bite. His program was an ex-periment in political education, a president-

The Clinton team's dilemma: pump up the economy or trim the deficit? Page 3.

elect as seminar leader, employing not just the bully pulpit, but the bully blackboard. "I am used to teaching large classes, but this is ridiculous," said Robert M. Solow, a Nobel Prize-winning economist, as he was introduced by Mr. Clinton at what amounted to a national session of Economics 101, broadcast by the C-

Span cable television channel and National Public Radio, and from time to time by CNN. It was impossible to imagine George Bush -

or even Ronald Reagan - playing the same role of moderator, questioner and teacher as Mr. Chaton did.

Seemingly off the top of his head, he discussed variations in immunization rates for children in different states, and in another breath, the contrast between hospital costs in

Harlem and the rest of Manhattan. "You watch Bill Clinton and you think he has a teleprompter in his head and he's just reading from it," said Vernon E. Jordan, chair-man of Mr. Clinton's transition board.

But while this conference showcased the president-elect's professorial talents, it is not clear how much the American viewing audience actually learned.

At its worst, the discussion bounced from subject to subject, much like a graduate seminar

See CLINTON, Page 6

### **IBM Slashes Spending for** Research in **New Cutback**

25,000 More Jobs to Go In Latest Downsizing. Shares Take a 10% Loss

By Lawrence Malkin

International Herald Tribine NEW YORK - IBM announced a work force reduction Tuesday of 25,000 people and a \$1 billion cut in research spending, a move that troubled President-elect Bill Clinton and sent the computer maker's stock plummeting more

For the first time in its history, IBM warned that employees who do not go voluntarily may

The company said the job cuts and related reductions in its manufacturing capacity would force it to reduce its fourth-quarter earnings by

International Business Machines Corp shares plunged \$6.75 to close at \$56.125. But the Dow Jones industrial index showed only a 7.84 point loss, to 3,284.36, while the North America component of the International Her-ald Tribune World Stock Index slipped just 0.39 percent to close at 97.28. (Page 16)

iBM warned as well that it may not be able to maintain its hefty dividend amid unfavorable business and economic conditions that are expected to continue into 1993. Last year, the

company paid out \$4.84 a share. Chairman John F. Akers and IBM's chief financial officer, Frank A. Metz, said at a conference for Wall Street analysts that declining revenues in Europe and Japan had accelerated the continued downsizing of the world's

largest computer company.

IBM's work force, which stood at a high of 344,000 at the end of 1991, had already been reduced by at least 32,000 as of the middle of this year in an early retirement program. Mr. Akers would not say whether the cuts

announced Tuesday were the final ones. But the man who once boasted that IBM had never dismissed anyone on economic grounds, in order to ensure the individual creativity that grows from job security, said the company's moves were all part of a "difficult transformation in the computer industry."

In threatening layoffs for the first time in IBM's history, Mr. Akers said he expected managers "to make every reasonable effort" to

reduce their head count by voluntary means. But he added: "If current business conditions do not improve significantly, however, it is likely that some business units will be unable to maintain full employment by 1993."

IBM's basic strategy now will be to redeploy its resources from its traditional concentration on mainframe computers and personal computers to advising and servicing companies with its own computer expertise in solving business

problems through networks and software. This is where the big money is now made in the industry. Analysts said that IBM was paying the price of realizing this too late, like too many large and bureaucratic American firms.

Only a day before, General Motors Corp., the quintessential U.S. industrial giant, announced it had agreed with the United Auto Workers on a sweeping set of early retirement incentives that would shrink its work force by 70,000, or 13 percent, as it closes almost two dozen assembly and parts plants between now

The cut in R&D spending is to take place in mainframes, chips and allied technology spending. Mr. Akers said mainframe revenue, estimated last year at \$14 billion, would decline "perhaps 10 percent" this year.

The \$1 billion research cut came as disturbing news to Mr. Clinton, who has been conducting a seminar in Little Rock, Arkansas, on the need for long-run investment to create jobs.

Asked about the president-elect's reaction, Mr. Akers said IBM was still a world and industry leader in research but felt it could do better by "shifting to areas for growth," meaning services, which need less capital but also return less profit in the long run. He argued that the company was forging ahead with its new microprocessors developed with Motorola Inc. and also being used by Apple Computer Inc.

This did not convince a number of listeners, however, including Barry Bosak of Smith Barney, who reminded Mr. Akers of the race for higher computing speeds and said IBM was "still missing the element of revenue-generation through quantum leaps in technology Mr. Akers said the new job reductions would

come from IBM's manufacturing and development, which meant closing factories and getting rid of people because of slow sales, and in the support staff of marketing and services units, where IBM now is placing its bets.

Mr. Metz said weakness in Germany had

taken the company by surprise. Also weighing on the outlook were falling revenues in France He added that markets in Asia, and especial-

Fischer, 49, won \$3.35 million in the match

against Boris Spassky, which concluded last

month. If convicted, he faces up to 10 years

in prison and a fine of \$250,000. He was told

by U.S. officials in August that his partici-

pation would violate the law.

See IBM, Page 6

### Scramble Begins for Titanic Souvenirs

By Alan Riding

New York Times Service PARIS - Seven years after the sunken hulk of the Titanic was found by a French-American expedition off Newfoundland, France on Tuesday gave the owners of about 1,800 objects recovered from the wreck three months in which to claim their property.

With only around a dozen of the 687 survivors of the disaster thought to be alive, the legal owners are most likely to be heirs either of the 1,513 people who died when the ocean liner went down on its maiden voyage on April 14, 1912, or of those who survived but have since died. Proof of ownership, however, may be difficult to establish. Only occasionally are items of jewelry or watches inscribed with initials or a

artifacts could have belonged to anyone. For example, the collection includes gold and silver wrist and pocket watches, buttons, bracelets, bejeweled necklaces, rings, tie and hair pins, gold spectacles, leather goods, several hundred English coins and

name. Rarely is the name of the manufacturer apparent. Most of the

vory combs, mirror cases and hairbrushes. The French government is nonetheless required by French law to invite ownership claims before it returns the objects to Titanic Ventures, the international consortium that financed the French expedition

organized in the summer of 1987 to recover artifacts from the wreck found two years earlier.

France became involved because the objects were brought here for safekeeping and restoration at a laboratory run by Electricité de France, the state-owned power utility. The restoration took two years, but plans to return the items to their owners were delayed by several court cases. A notice inviting claims was published Tuesday in newspapers in

graphs of the artifacts at the French embassies in Washington and London as well as the Merchant Marine Secretariat in Paris. At a news conference Tuesday, the secretary of the merchant marine, Charles Josselin, said that any person able to offer proof of ownership of an item would also have to contribute toward the \$5.5 million cost of

New York, London and France. Potential claimants can study photo-

the expedition if he wished to repossess it. "How much he pays will depend on the value of the object on the market," he said. "In many cases, it will be very little." He added that the collection did not contain enormously valuable pieces because the expedition was only able to reach the 3d Class section of the Titanic. Under its contract with the French Institute for Maritime Research

See WRECK, Page 6



Secretary of State Eagleburger Tuesday in Stockholm. NATO drew up plans for possible military action in Bosnia. Page 2.

### Kiosk

#### **U.S. Indicts Fischer Over Sanctions** WASHINGTON (AP) - The former portedly has remained in Yugoslavia. Mr.

world chess champion Bobby Fischer was indicted Tuesday on a charge of violating U.S. economic sanctions against Yugoslavia by playing in a \$5 million match in Serbia. A warrant has been issued for his arrest, but Mr. Fischer, an American citizen, re-

**General Nows** 

U.S. employers are counting ways to make use of workers' diversity. Page 4.

Hanoi presses U.S. to drop all its sanctions. Page 5. A last hurrah in Beiling

stirs a controversy in Washington. Page 5. Crossword

Business/Finance International Lease Finance ordered \$4.1 billion Page 15. of planes.

Entertainment

Page 24.

ow Jones Down 7.84 :: 3.284.36 \*\* A rousing new production 0.15% of "Carousel" has opened 90.97 3.284.36 in London. Page 10. The Dollar New York, Tues. c 1.5675 1.5695 Pound 1.567 1.5665 123.95 123.65 5.3575 5.3545

### NATO Drafts Contingency Plans for UN Bosnia Intervention

New York Times Service

Responding to a request from the United Nations secretary-general, the NATO allies have begun drawing up plans for further military action, including enforcement of "no-fly" zones, to halt the bloodshed in Bosnia-Herzegovina, NATO officials said Tuesday.

- The officials said the request by the United Nations chief, Butros Butros Ghali, was debated Monday by NATO ambassadors in Brussels who ordered their military staffs to prepare contingency plans that could be implemented once the Security Council gives its go-

The plans are to be discussed when foreign ministers of the 16-nation North Atlantic Treaty Organization gather at the alliance's Brussels headquarters on Thursday and Friday for a previously scheduled

Under NATO's coordination, allied warships are already involved in a naval blockade of Serbia and Montenegro in the Adriatic aimed at enforcing a UNbacked trade embargo of the rump states of former

forced Belgrade to change its policies.

The new focus at NATO is on the use of air power,

first to prevent Serbian aircraft from supporting Bosnian Serb ground units and then perhaps to strike at Bosnian Serb artillery positions pounding Sarajevo and other Bosnian Muslim communities. The Netherlands has already offered to send a squadron of F-16 fighter planes to the region.

NATO officials said the alliance's major powers —

the United States, France and Britain - were facing strong domestic pressure to act more forcefully in Bosnia-Herzegovina, but all three had reservations about how deeply they should become embroiled in While supporting the naval blockade, the United

States has sent no ground troops to join the UN peacekeeping force in former Yugoslavia. In contrast, France and Britain, with 5,000 and 2,000 soldiers on the ground, fear air strikes may bring reprisals against their troops.

But the officials said that all three countries had

Yugoslavia. So far, however, the embargo has not forced Belgrade to change its policies.

nonetheless backed Mr. Butros Ghali's appeal for further NATO assistance and were willing to study movements in the area. ways of intensifying the military pressure on Belgrade and Bosnian Serb militia units.

#### ■ 70 Die in Fighting

There was widespread fighting in Bosnia-Herzegovina on Tuesday, including air attacks in violation of the UN-mandated no-fly zone, on the eve of renewed talks between the warring parties in Geneva, according to reports in Sarajevo, Agence France-Presse said. In Sarajevo, the BHPress agency said that Yugoslav

Army planes attacked eight times and bombed three districts in Srebrenica-Bratumac and Vlasenica in eastern Bosnia, near the border with Serbia, on Monday.

A total of 70 civilians were killed, including 18 abilders. These trees the shall be a server of the state o children. There was also shelling from long-range artillery based in Serbia, the agency said. The report could not be immediately confirmed.

In Zagreb, the Croatian HINA news agency said that the northern Bosnian city of Gradacac and several villages to the west of the city were attacked by

HINA also reported air activity saying that Serbs used helicopters and trucks to bring in reinforcements from Bosnaski Samac and Modrica, both north of

It also reported shelling of towns in northern Bosnia, in the vicinity of Brsko.

There was infantry and artillery action around Bihac in northwest Bosnia, HINA said. HINA's reports were confirmed by Bosnian reports

In Sarajevo, the Bosnian military command said it had further advanced on Zuc Mountain, taking the strategic hill of Golo Brdo.

Meanwhile, the leading Croatian in the seven-member Bosnian presidency, Franjo Boras, said that if Alija Izetbegovic, a Muslim Slav, continued as president, there would have to be a non-Muslim foreign minister, according to a television report citing a correspondent in Mostar, in southwestern Bosnia. A new president is to be chosen.

Conference

Passes On

Arms Issue

By Craig R. Whitney
New York Times Service
STOCKHOLM — Foreign ministers at the Conference on Security
and Cooperation in Europe found

a consensus Tuesday on deploring Serbian brutality and violence

against Bosnia-Herzegovina, but left to other international bodies

the consideration of stronger mea-

The ministers of the 51-nation conference called for havens for refugees in the Balkans, supported possible United Nations measures

to authorize military enforcement

of the "no-fly" zone over Bosnia, and backed UN and U.S. calls to

prosecute war crimes in the former

But after arguing for most of the day about whether just to acknowl-edge calls to let the largely Muslim

republic receive arms to defend it-

self, or make such a call themselves,

sentatives, the ministers decided to ask the United Nations to think

about whether to lift the arms em-

bargo against Bosnia.
"We would be against anything

which poured more weapons into a part of Europe which is already full

of weapons," said Foreign Secre-tary Douglas Hurd of Britain. His

country is also skeptical about moves supported by the United States and France to authorize the

United Nations to keep Serbian

troop-carrying helicopters and air-planes out of the skies over Bosnia,

using force if necessary.

Brussels on Thursday.

al confe

Atlantic Treaty Organization in

The European security conference, which makes all decisions by

consensus, also tried during the

two-day meeting to find ways to

agreed to set up a permanent mission to monitor tensions between Russians and Estonians in Estonia

and named a Dutch statesman.

Max van der Stoel, as the confer-

ence's high commissioner on na

of hand and into an acute conflict.

then there is no role for the com

missioner," Mr. van der Stoel said. explaining his mandate.

it needed a secretary-general to co-ordinate peacekeeping and fact-finding missions in the formerly Communist countries of Europe.

Germany nominated its special

representative to the conference. Wilhelm Höynck.

But the underlying issue here was the helplessness of European security institutions to deal with

The impotence has not been lim-

ited to the Balkans. The foreign

ministers of Azerbaijan and Arme-

nia met here, for instance, but

failed to agree on a negotiated set-

tlement to renewed fighting along

"The fighting changed the nego-

On Bosnia, the conference

the new world disorder.

their border.

The conference also decided that

tional minorities.

event ethnic conflicts elsewhere

nanded by the Bosnian repre-

Yugoslav republic.

sures to try to halt the war.

Bosnian

### WORLD BRIEFS

#### As Honecker's Liver Cancer Spreads, His Lawyer Predicts He'll Be Freed

BERLIN (WP) — The former East German leader. Erich Honecker, has a liver tumor that will kill him by spring, a court-appointed physician said Tuesday, leading Mr. Honecker's lawyer to predict that his client will go free by Christmas.

The health problems of the 80-year-old Communist hard-liner, who faces manslaughter charges stemming from the killing of more than 200 East Germans who tried to escape to the west over the Berlin Wall, have already slowed Mr. Honecker's trial.

But now a cancer specialist. Dr. Jörg Kirstädter, has concluded that Mr. Honecker has three to six months to live, and that he will be unable to take part in his trial as early as next month. The physician said the liver tumor, measuring 11 centimeters wide, or four inches, is growing quickly. He added that radiation therapy could extend Mr. Honecker's life by a few months. But Mr. Honecker has refused the treatment.

The trial, which began Nov. 12, was expected to last at least two years, as prosecutors lay out details of East German government decisions that led to the building of the Berlin Wall and the establishment of shoot-tokill orders for border guards.

#### Salvadorans Celebrate War's End

SAN SALVADOR (Reuters) - El Salvador's government and leftist guerrilla leaders celebrated the end of a 12-year civil war on Tuesday. pledging to leave behind the hatreds that killed 75,000 people and tore their society apart.

"The armed conflict in El Salvador has come to an end," said the UN

secretary-general, Butros Butros Ghali, at an emotional ceremony attended by government, rebel and military chiefs, as well as Vice President Dan Quayle and Central American heads of state. Thousands of civilians

waved national flags.

The rebel Farabundo Marti National Liberation Front demobilized the last of its 8,000 guerrilla combatants on Monday, putting an end to two decades of armed struggle. In return, the government has legalized the front as a political party. It has also pushed through political changes and military cuts, begun extensive land transfers and dissolved paramiltary security forces and army battalions blamed for massive human rights abuses. A purge of dozens of armed forces officers implicated in human rights atrocities is to be carried out this month.

#### New Delhi Imposes Rule in 3 States

NEW DELHI (NYT) - Moving to smash Hindu fundamentalist political power, the Indian government dismissed the governments in three northern states on Tuesday night. A fourth government was removed from power Dec. 5 after a mob of Hindu fundamentalists razed

a 16th-century mosque in the holy town of Ayodhya.

The dismissal of the three state governments in Madhya Pradesh, Rajasthan and Himachal Pradesh, and the imposition of rule from New

Delhi is certain to push the country into more political turnoil after a week of securian rioting that has left more than 1,200 people dead.

The action came as Indian police conducted sweeps around the country, arresting members of Hindu and Muslim sectarian organizations as part of government effort to restore order. Six days ago, Prime Minister P.V. Narasimha Rao declared illegal five sectarian groups, three of them Hindu fundamentalist and two Muslim.

#### Michigan Doctor Helps 2 More to Die

AUBURN HILLS, Michigan (AP) - Dr. Jack Kevorkian helped two women kill themselves on Tuesday — the same women who had appeared with him earlier this month to argue publicly for his right to do so, his Marguerite Tate, about 60, and Marcella Lawrence, 67, from Moun

Clemens, died at Mrs. Tate's home in this Detroit suburb, said the The action came as a bill to outlaw assisted suicide in Michigan awaited

Governor John Engler's signature.

The two bring to eight the number of women that Dr. Kevorkian has helped to die since 1990. Dr. Kevorkian has battled legal officials and waged a public campaign to win approval of "medicide," in which doctors can help the terminally ill commit suicide. An investigator with the Oakland County medical examiner's office said the office was notified that two women had died by inhaling carbon monoxide gas.

#### TRAVEL UPDATE

#### 9 EC Countries Ease Border Checks

MADRID (Reuters) — Nine European Community countries an nounced approval Tuesday of a passport sticker allowing them to abolish border controls for their own nationals and most other visitors. by foreign ministers of the North The move means that travelers from most countries with a visa to visit any one of the nine so-called Schengen group states will be able to enter the others without checks, said Carlos Westendorp, Spain's secretary of state for the EC. Nationals from the nine countries will also be able to

move freely through one another's territories with the hologrammed The Schengen treaty, named after the village bordering Luxembourg France and Germany, was originally to take effect at the beginning of 1992. It has been delayed and has grown from the original live signatories



15

FOOTLOOSE AND TRANSIT-FREE - A would-be rail passenger on a deserted platform at the Gare de Lyon in Paris on Tuesday. Services across France, as well as suburban services in major cities, were heavily disrupted by a rail workers' strike. The stoppage was called to protest the jailing of a train driver found guilty of negligence in a 1988 accident in which 56 passengers died.

More than 1.5 million Spanish civil servants began a 24-hour nationwide strike Tuesday to protest a proposed wage freeze, in the second massive walkout in less than a month, a union spokeswoman said. The stoppage affected ministries, city councils, hospitals, postal services and

A 24-hour strike by Air France flight and ground crews Tuesday disrupted medium-haul flights, but long-range flights went ahead on schedule, the airline said. In Nice, about 100 employees occupied the airport tarmac to prevent the takeoff of a Paris-bound flight belonging to Air-Inter, Air France's domestic affiliate.

Kiwi International Airlines will offer passengers a chance to buy six one-way fares for the price of five on its flights linking Newark, New Jersey, Atlanta, Orlando, Florida, and Chicago. The pack of tickets costs

### **Earlier Warning of Breast Cancer**

BOSTON -- Researchers have made a major advance in developing an early warning system that spots women at risk from breast

cancer, according to a report released Tuesday.

The work has created a simplified method for detecting gene abnormalities that can increase the risk of cancer, according to scientists at the Massachusetts General Hospital writing in the current issue of Cancer Research magazine.

The test looks only at the state of a gene thought to help ward off

cancer. But researchers hope the system can be used for other genes. We can now imagine a time when one might eventually be able to screen large numbers of people to see whether they have specific genetic susceptibilities to develop cancer." Dr. Stephen Friend said in a statement released by the hospital.

### New Yeltsin Choice **Stresses Continuity**

### Prime Minister Says Trend Of Reforms Won't Be Altered

By Steven Erlanger

MOSCOW -- As Russia tried to understand an altered political landscape Tuesday, after President Boris N. Yeltsin was forced to abandon his acting prime minister and architect of his economic reforms, attention turned to two men who emerged from the struggle with enhanced influence: Viktor S. Chernomyrdin, the relatively unknown new prime minister, and Ruslan I. Khasbulatov, the ambi-

tious speaker of the legislature. They are from the same generation, but took very different paths to power, and in separate press conferences Tuesday they appealed for calm and consensus, but with radically different tones.

Mr. Chernomyrdin, 54, was humble and brief. A heavy-set manager with little political experience, he seemed embarrassed by all the new attention and stressed continuity, saying that he was committed to the reforms, which he had helped to draft in Mr. Gaidar's government, and that the "main trend" of the changes will be the

same, "with no big jumps."

Speaking carefully and often using cliches of Soviet socialism, Mr. Chernomyrdin had few specifics to offer about policies or personnel. He said that auctions for the privatization of state companies would continue, that there would be no freeze on prices or wages, and that he favored "a variety of forms of ownership of land." And he urged members of the government closely associated with Mr. Gaidar, who

"to continue to work calmly." But Mr. Chemomyrdin stressed that there would be different priorities for the government, with a concentration on restimulating industrial production, and he repeat-ed his view that "an economy of shopkeepers" could not bring Russia out of its crisis.

"Nothing is possible without heavy industry," he said. His comments implied a significant slowing of any real structural change in the Russian economy, which is widely regarded in the West as overly dominated by ineffilittle of world standard at a great cost in raw materials and energy, and that employ far too many peo-

ple to be profitable.

Mr. Khasbulatov, 50, a former professor who was unknown before being elected to the Russian legisla-ture in 1990 as an ardent Yeltsinite. also talks about the revival of industrial production as the crucial task for Russia. But his main inter-est is political, and he has worked to strengthen the legislature's pow-er, and his own, at the expense of Mr. Yeltsin and his government.

Mr. Khasbulatov has a good knowledge of parliamentary procedure, which he uses with both humor and cynicism, ramming through votes and cutting off speakers. He also knows the legislators' appetites, and through a careful management of perquisities within his control - like committee appointments, Moscow apart-ments and cars — he has built a constituency and power base that is particularly strong in the smaller standing parliament, or Supreme

Mr. Yeltsin himself has admitted that he neglected to work the legislative committees and corridors well enough, failing to hold together even his previous constituency of liberal, pro-Western, market-ori-ented legislators, who were always a minority in the Congress of People's Deputies elected in 1990, when the Communist Party,

though weakening, still held sway. On Tuesday, Mr. Khasbulatov was loquacious and even smug as he praised the work of the Conwas a buttress of democratic devel-

Widely viewed as seeking Mr. Gaidar's scalp, Mr. Khasbulatov damned him with faint praise, say-ing he was "a very nice and capable specialist" whose idea of economic reform was "price liberalization at

any cost. Mr. Chernomyrdin, Mr. Khasbulatov said, "has an exceptionally complicated task because it is necessary to sort out that chaos, the countless number of mistakes, the huge number of wrong decisions that created artificial difficulties cient, huge industries that produce for the previous government."



The fighting in the Balkans will also be considered by a separate r in Moscow on Tuesday. Mr. Kohl and President Boris N. Yeltsin negotiated representatives of Muslim counwithdrawal of Russian troops from Germany in exchange for a moratorium on part of Russia's debt. tries, in Geneva on Wednesday and

### Major Wary on Force Against Serbs

By William Schmidt New York Times Service

LONDON - Despite growing essure on Britain and its allies to step up military pressure in Bosnia-Herzegovina, Prime Minister John Major urged caution on Tuesday, warning that such action might endanger British troops now on the

ground helping to deliver food and urging him to endorse more aggres-relief supplies. urging him to endorse more aggres-sive military intervention in Bosnia

House of Commons, said Britain was discussing with its allies the possibility of using combat aircraft to shoot down any airplanes violating an air exclusion zone imposed earlier this fall by the United Nations. The UN resolution barred all military flights over Bosnia.

But Mr. Major said that any escalation in the level of military activity must be weighed "against the and on the safety of our own

He cautioned that in the end, the "main losers might well be the people of Bosnia." Britain has about legislators who said they believed 2,400 troops in Bosnia, where they Britain needed to do more militariare on duty under UN command, escorting relief convoys.

Mr. Major, appearing before the in order to protect Muslim popula-

The sharpening debate has come as Mr. Major is preparing to travel to the United States, where he is scheduled to discuss the situation in Bosnia with President George

The leader of the opposition Labor Party, John Smith, has called for "effective international action" possible impact of that on the United Nations humanitarian effort to stop what he referred to as "appalling suffering" in the region. Members of Mr. Major's own Conservative Party have also been taking a more hawkish line. Patrick Cormack, a member of Parliament,

Unless firmer action is taken The prime minister was speaking during the next three or four weeks, in response to growing pressure from Britain's allies, as well as oppean Armageddon," Mr. Cormack

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### German Party Backs Accord To Tighten Laws on Asylum

proved the government's comproforeigners who have become targets of neo-Nazi violence.

The Social Democratic parlia mentary group voted, 101 to 64, with five abstentions to approve the agreement with the government the way for Germany's liberal asylum law to be tightened.

The deal had been thrown into doubt by calls from Social Democratic members linking amendments to Germany's asylum law to companion treaties with Poland and Czechoslovakia.

The treaties would enable Germany to return to Poland and Czechoslovakia, rather than to their homelands, asylum-seekers who had entered Germany via

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those countries and who were refused the right to stay in Germany. In the vote, the mainstream view prevailed that no formal link between the asylum law and the treaties should be made.

Germany from surrounding "safe third countries" - 90 percent of the more than 405,000 arrivals this of Chancellor Helmut Kohl, paving year - would be eligible to claim

> Tuesday that it had ordered an investigation into the far-right Republican Party as a possible antidemocratic group.

Protection of the Constitution be-President Boris N. Yeltsin. cause there was reason to believe they could be "striving against the free democratic order.

The investigation is a first step toward a possible ban on the party. In East Berlin, suspected neo-Nazis painted swastikas and anti-

huber, a former officer of Hitler's Waffen SS, is the largest of dozens of far-right parties in Germany. Interior Minister Rudolf Seiters said the Republicans were under cause the Russian foreign minister. observation by the Office for the

step forward," he said.

Semitic slogans at the gravesite of Walther Rathenau, the Jewish foreign minister of Germany who was assassinated by rightists in 1922, the police said Tuesday.

### BONN — The opposition Social Democratic Party on Tuesday apmise accord to curb an influx of

Once the changes are adopted, virtually no foreigner arriving in

tisting process here, and all the agreements reached beforehand failed," said the Armenian foreign minister, Arman Kirakossian. Meanwhile, the government said sereed that the issue of exempting the republic from the arms embar-

go against the former Yugoslavia should continue to be considered The party, led by Franz Schönas a matter of importance in the United Nations Security Council.' Agreement on even this much was held up for several hours, according to some diplomats, be-

> Nevertheless, the Bosnian for-eign minister, Haris Silajdzic, who had insisted on keeping the issue under consideration, made the most of the consensus. This is a

Andrei V. Kozyrev, could not reach

The conference agreed to consult with the UN about how to try individuals on war crimes charges in the Balkans, a suggestion made here Monday by the U.S. secretary of state, Lawrence S. Eagleburger.

### TRANSITION / RUNAWAY MEDICAL COSTS

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The Inaugural Parade to March to a New Best

WASHINGTON - In what probably will go down in the record books as the most unusual mix of inaugural participants, Bill Clinton's parade and pre-parade entertainment on Jan. 20 will feature a precision lawn chair marching team, a reggae band and two Elvis Presley impersonators — stand-ins for the young "King" and

the old, tubby one.

The Presidential inaugural Committee, in announcing the lineup for the day's inaugural celebration, said the parade and other festivities would have the traditional marching bands, military squadrons and equestrian units but would include a wider variety of performers and participants than before

The inaugural planners have invited the Lesbian and Gay Band of America; the Sounds of Silence, a group of hearing-impaired young adults who use sign language to communicate lyrics from live music; a contingent of former Peace Corps volunteers; residents from McCrossan Boys Ranch, a home for wayward boys; and a high school band from Homestead, Florida, whose school was destroyed in the hurricane there last August.

Mr. Clinton's official inaugural slogan is "An American Reunion

New Beginnings, Renewed Hope."

(WP)

#### Clinton Showing Caution in Filling Trade Post

WASHINGTON - Glaring in its absence from last week's naming of Bill Clinton's economic policy team was a candidate for the critical job of U.S. trade representative. Mr. Clinton apparently is having trouble deciding not only whom he wants to fill the post, but also what he wants to do about two key trade negotiations that are close to completion: the North American Free Trade Agreement and the 108-nation Uruguay Round of GATT talks.

Mr. Clinton's choice for trade representative will be a signal of

where he intends to go with these talks. It also will signify much about how he intends to approach the question of the U.S. economic

A black woman physician, meanwhile, said that Mr. Clinton had asked her to be the senior U.S. public health official. "I told him I'll take it," said Joycelyn Elders, the director of the Arkansas Department of Health, in accepting the offer to become U.S. surgeon general. She noted, however, that the present surgeon general, Dr. Antonia C. Novello, had 18 months remaining in her four-year term. She said she did not know if Mr. Clinton would ask for Dr. Novello's

#### Limits on increases in Drug Prices Planned

WASHINGTON - Bill Clinton's transition team has put the drug industry on notice that he intends to limit increases in prescription drug prices as part of any plan to revamp the U.S. health care

Aides to Mr. Clinton met recently with drug company executives, described his ideas and invited their reaction. Details of the meeting were provided on Monday by Clinton aides and company execu-

One of Mr. Clinton's ideas is to make prescription drugs available to all Americans as part of a standard package of health benefits, which employers must provide to employees. Another idea, part of the same plan, is to set guidelines for drug prices in an effort to ensure that they do not rise faster than other consumer prices. (NYT)

George Stephanopoulos, the Clinton transition communications director, on the economic conference in Little Rock, Arkansas: "Now is the winter of our content."

#### **Away From Politics**

 Riot policemen arrested 60 people in Los Angeles after demonstra-tors threw rocks and bottles and looted a gas station at an intersection where riots began in April. The police said one man was killed while trying to protect his store from looters and 12 people were slightly injured during the disturbance.

• A wave of attacks on Jews in New York City has prompted Jewish groups to call for more measures to end the violence. In four separate incidents, a Hasidic man, 62, was stabbed in the stomach; three youths, all 18, were attacked while anti-Jewish remarks were yelled out; a woman ordered her dog to attack a man, 33, and anti-Semitic graffiti was found in a housing complex.

• Thousands of houses damaged in the Immicane that hit southern Florida in August were poorly designed, badly built and inadequately inspected, a Dade-County grand jury said in a report on what it termed shoddy practices that contributed significantly to the country's most costly natural disaster.

 The Supreme Court has agreed to decide whether the constitution permits states to increase sentences for crimes like assault or vandalism if the victim was selected because or race, religion, ancestry or the like. Six months ago, the court ruled that states may not designate particular expressions of bias as crimes.

 A man was sentenced to a maximum 10 years in prison under a new Louisiana law for failing to warn a woman with whom he had sexual intercourse that he was infected with the virus that causes AIDS. Salvatore Gamberella, 28, was the first person to be convicted under

• The former head of the "Flying Dragons," one of the largest gangs of extortionists and drug traffickers in New York's Chinatown, faces a maximum sentence of life in prison for smuggling more than 400 pounds (180 kilograms) of top-quality heroin into New York. Johnny Eng. 36, was convicted of importing the heroin from January 1987 to Sentember 1922

• An alleged Irish nationalist guerrilla, who escaped from a prison in Northern Ireland in 1983, turned himself in to U.S. marshals in San Francisco after a U.S. Appeals Court had revoked his \$1.5 million bail and ordered him back into custody. Britain is seeking the extradition of the suspect, James Smyth, 38, who it alleges is member of the Irish Republican Army.

 A student armed with an assault rifle killed a teacher and a fellow student and wounded four people at Simon's Rock College, an exclusive school for the gifted, in Great Barrington, Massachusetts, the authorities said. The Berkshire County district attorney said that Wayne Lo, 18, a second-year student from Billings, Montana, was AP, Rewers, WP, NYT, AFP



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### Clinton Team Dilemma: Pump Up Economy or Trim Deficit?

International Herald Tribune NEW YORK — By their questions and remarks at Bill Clinton's about how much and what." economic teach-in, the new administration's economic team on Tuesday disclosed its principal shortterm preoccupations: the dilemma between stimulating the economy and cutting the budget deficit, and how to deal with the worldwide economic downturn.

The president-elect started the second and final day of televised economic discussions in Little Rock by noting IBM's latest downsizing announcement and commenting, "Product development will be cut by \$1 billion —the exact thing we don't want to be cutting."

Two leading economists, Allen Sinai of the Boston Company and a Nobel laureate, James Tobin of Yale, urged a short-term economic stimulus as one way of increasing jobs, tax revenue, and growth that would provide a basis for an ironclad deficit-cutting plan.

Mr. Clinton made it clear that he had not made up his mind whether to propose a short-term stimulus plan now that the economy was recovering slowly. He said it would be "a very tough call" because it might divert resources from long-term investment and warned his advisers, sitting around the table with him, not to get "fixated" on the questions that involve billions more dollars "and are already out there" - in particular spiraling

"If you don't get growth," he said, "I don't care what our budget plan says, the deficit will be bigger nues won't come in to support the new package." He added: "I don't mean we shouldn't do the stimulus. I haven't made the decision yet

He also warned that investment must be increased to make up for the shortfall of the 1980s - and that recession in Europe and Japan will cut U.S. exports, which "argues again for a big increase in domestic investment to increase income and

growth here."
Leon E. Panetta, the designated budget director, Senator Lloyd

he began developing Monday in response to academic suggestions of increased international coordination, said the United States had to "reinvigorate the Group of Sevon to try to work out a monetary

wheel runs off the road we may be that we can't do anything we were

Bentsen, designated treasury secre-tary, and Robert B. Reich, designated labor secretary, all ques-tioned the economic panel on how much and how long any stimulus Mr. Bentsen, repeating a theme

policy that will avoid recession in Europe and this country." Mr. Clinton revealed his awareness of the problem in the folksy language he often prefers. After lis-tening to three distinguished academics offer gloomy outlooks for the world economy in the short term, the present political and monetary disarray in Western Eu-

"If we don't devote sufficient time to all these issues, when the

They also engaged in some thinking out loud about the dollar,



President-elect Clinton listening Tuesday to Erskine Bowles, a banker, on the second day of the economics conference in Little Rock.

recalling the high-interest, strongrope, and the prospects for eco-nomic reform in Eastern Europe, Mr. Clinton said:

dollar policy of the first half of the 1980s, which Mr. Clinton blamed on the Reagan administration's need to finance the government's deficit at the cost of damaging foreign markets for American exportconsumed with these matters so ers. He said that made the idea of a cheap dollar as an aid to exporters an attractive but not permanent

policy option. Statements by labor and man-

with businessmen and Mr. Clinton recalling the high-interest, strongplained that their members had ■ Health Care a Priority suffered in global reconstruction of industry, while several business spokesmen spoke up for their own industries — the head of Lockheed for "a level playing field" against the European Airbus, which he at-tacked for its subsidies; a cable

Mr. Clinton also said Tuesday that his administration could not seriously attack the federal budget deficit or make much progress in reviving the economy without getting health care costs under con-

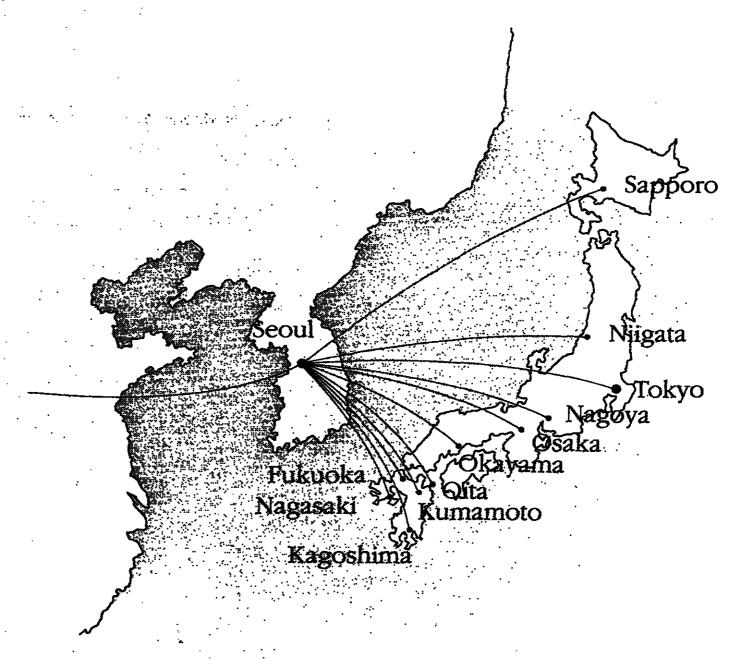
trol. The Associated Press reported Mr. Clinton, repeatedly poundentry into Continental Europe, and ing his fist on the table, said that the spokesman for a toy company

cussed were small in comparison to

such as rising health care costs. "We are kidding each other." he said. "We are all just sitting here making this up if we think we can fiddle around with entitlements and all this other stuff and get control of this budget if we don't do something on health care. "It is a joke. It is going to bank-

rupt the country.

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### For Safety's Sake.

Go by Plane, Not Car

It is far safer to fly in an airliner several miles up in the sky than to drive an automobile. In the United States last year, 41,150 people were killed in automobile accidents; only 49 died in major commercial airline accidents. Why are airliners so much safer? For several reasons, according to the "Why Things Are" column of The Washington Post:

• Simplicity: An automobile engine has lots of moving parts; a jet engine, only one, the turbine. • Safety: Commercial air safety, unlike ticket pricing, remains

firmly regulated. • Competence: Airline pilots must be highly qualified; almost anybody can get a driver's license.

Redundancies: Airliners have two or more engines, but can fly on just one. There is a backup hydraulic system to control wing flaps and landing gear.

 Economics: "There's a basic capitalist imperative to make flying so safe that normal, sane people are willing to go through with it even though it is rather terrify-

#### Short Takes

friends and relations how they

in a letter to Ann Landers, the advice columnist, "Baffled in Los Angeles" writes that during the riots in that city in April, "we got carried away with all the excite-ment." One guy suggested that we join the rest of the crowd and loot a Korean dry cleaners." he wrote. "I saw this great leather coat hanging about two yards from me. I went to grab it and at the very same moment. 'Wanda' reached for it too." He let her keep the coat if she would have

met? Miss Landers replies. "You say you have no criminal record? You should. As for your question, sorry, pal, I'm fresh out of cover

More American men are willing to be "househusbands" now than eight years ago, but only i per-cent actually stay at home while their wives earn the family income. That is about the same percentage as in 1984. A survey conducted by the Roper Organization for Playboy magazine showed 24 percent of respondents said they were "perfectly dinner with him. "We hit it off willing" to be househusbands, up right away" and plan to be marfrom 13 percent in a 1984 poll. ried. The question: Neither has a criminal record, but how to tell

adjust psychologically and emotionally to the

changing work force.

Consultants agree, however, that they can only do so much to overcome years of ingrained

organizational behavior and established man-

Many consultants first conduct what they

call a "corporate audit." They interview groups

of employees about the company's corporate

culture: the ways employees are selected, as-

signed jobs and promoted; whether extrover-

sion is valued over introversion, and whether

tion to identify perceived or real obstacles to

Besides these audits, consultants have man-

agers and employees take personality tests like the Myers-Briggs Test, which helps determine

how certain personality traits lead to race or sex

Nancy Hutchens, an anthropologist who has

conducted many diversity workshops with Dr. Benjamin Reese, a clinical psychologist, said:

People tend to react to each other based on

race and gender without realizing that what

they were responding to was personality char-

employee problems. In one instance, Ms. Thie-

derman was able to convince a white male

manager that an Asian employee's reluctance to

give an oral presentation was motivated by

cultural differences, not caused by a profession-

Ms. Thiederman suggested that the manager

team the Asian woman with a colleague and

have them present the project as a team. The manager agreed and, in Ms. Thiederman's

word, the Asian employee was "eloquent."

Trainers can also do fine tuning with specific

Managers are asked to review the informa-

employees' ideas are routinely sought.

agement patterns.

stereotypes.

acteristics."

al inadequacy.

Arthur Higbee

### Diversity? Employers Count the Ways

By Lena Williams

New York Times Service NEW YORK - From the palm-fringed Burger King headquarters in Miami to the Towers Perrin offices on Park Avenue in Manhattan, U.S. corporate managers and employees are playing the diversity game, literally and figura-tively. They are trying everything from board games to real-life case studies to learn how to turn employee diversity to advantage.

The games and case studies are the brainchil-

Managing diversity, or multiculturalism, has been defined as a desire to recognize, respect and capitalize on different strands and back-grounds in American society, such as race,

broadened to incorporate age, sexual orienta-tion, physical disabilities and socioeconomic

Only a few years ago, the idea of diversity in the workplace was being dismissed by employ-ers as an amorphous theory with little or no relevance to production and profit. Many em-ployers believed that changing the corporate status quo would alienate their predominantly white, male work force.

Today, more and more employers view diver-YOUR ADDRESS near Champs Bytests 13.P. (ence 1957) 5 rue of Arica, 79008 Paris, Tel (1) 4399 4704 Fax 4256 2835 YOUR OFFICE IN LONDON 70p per day, Moll, Phone, Fax, Tix, gil services, Tet; 71 436 0766 Fax: 71 590 3729.

"In the next two to five years, diversity might very well be a billion-dollar industry," said Dr. Ron Brown, the president of Banks Brown and a San Francisco consultant whose firm specializes in fostering and managing diversity in the

dren of consultants - anthropologists and psychologists, as well as MBAs. Such consultants are increasingly being hired by U.S. employers who need help managing a diverse work force, in which members of minority groups, immigrants and women now hold more than half the

ethnic origin and sex. Over the years, the definition has been

sity as good business as well as good public relations. The executives who set aside company time - and money - to cultivate diversity hope the results will be fewer costly discrimination suits and a more tolerant, innovative work-

What's more, dealing with diversity, one of the most popular management concepts of the 1990s, is also becoming a multimillion-dollar

But Sondra Thiederman, a consultant from

San Diego, said, "Some are in it because they

want to do good, others because they see it as a also try to help a company and its employees

Incrative business."

Ms. Thiederman said she receives three or four queries a day from people seeking to get into the business. Many of these requests, she added, come from people with little training in workplace diversity, including former Peace Corps volunteers and spouses of corporate ex-

ecutives who have worked overseas. And, she went on, some of those touting themselves as experts on managing diversity are minimally qualified to advise a company on the subtleties of issues involving race and sexual

orientation in the workplace. Of equal concern to some experts is the unsettling reality that some companies are hiring diversity consultants merely as window dressing. Reducing the effort to pure public relations, they argue, subverts the whole idea of

diversity. In 1987, the Hudson Institute produced "Workforce 2000," a study on work and workers for the 21st century that is credited by advocates of workplace diversity with giving an important impetus to the turnaround in the

industry. The study, which was done for the U.S. Labor Department, concluded that the overall work force would increase to 150.7 million in 2005, up from 124.7 million in 1990. Of the 26 million new workers, 85 percent would be members of minority groups, women and immi-

grants. As one indication of the demand for specialists in managing diversity, Diversity Consultants Inc. of Atlanta, one of the nation's leading authorities on the subject, has seen its revenues double since 1989.

In February, Towers Perrin, an international consulting firm, acquired Diversity Consultants. Founded in 1984 by Dr. R. Roosevelt Thomas Jr., Diversity Consultants has already trained several dozen Towers Perrin employees in diversity planning and strategy. In the 1960s and 70s many corporations

nd promote blacks and women in fields that had previously been closed to them. But then many companies failed to deal with the internal problems that arose after these

adopted affirmative-action programs and hired professionals in human resources to find, hire

Diversity programs appear to be having an effect. On the advice of Dr. Thomas, Avon Products, for example, capitalized on its diver-sity. It gave black and Hispanic managers substantial authority over its unprofitable inner-

city markets. The result: These markets are now among Avon's strongest performers.

But more than a handful of blacks, Hispanic

people and women express doubts about whether employers are sincere in their efforts to understand diversity. These skeptics say that most employers have training in diversity awareness but stop short of making extensive systemic changes.

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### Hanoi Presses U.S. **To Drop Sanctions**

ease an embargo by allowing embargo lifted completely. American companies to set up of-

We welcome the news and it is an encouraging gesture, but the welcomed the news that Washing-U.S. side must go further," said Ho Xuan Dich, head of a Vietnamese "I'm excited that finally Ameri-Foreign Ministry office helping U.S. experts resolve the fate of American servicemen missing from the Vietnam War.

"If the two sides normalize ties, it would create favorable conditions for solving the MIA issue," he said at the Hanoi airport before Hanoi heading a foreign business handing over military remains of delegation, said the U.S. move was Americans killed before the war ended in 1975

The White House announced on Monday that American companies could now set up offices in Vietnam, hire staff and sign business contracts that would take effect if

and when the embargo was lifted. Some diplomats in Hanoi said the partial lifting of the embargo would result in a surge of foreign investment in the country, if only to forestall the Americans

Le Bang, head of the ministry's America department, said Washington's move was a step in the right direction for Vietnam and the United States, which have no dip-

But he added: "It is a little bit puzzling to the Vietnamese compames, because if they are going to sign contracts with the American companies and wait an indefinite time for those contracts to take effect, it will be discouraging."

HANOI - Vietnamese officials that Hanoi, as well as American have welcomed a U.S. decision to and other businessmen, wanted the

"Every step now is moving forfices in Vietnam, but they urged ward and is significant," he said. Washington on Tuesday to lift But he added: "It's not over yet." sanctions and normalize ties with This is emotional.

American and foreign businessmen as well as ordinary Vietnamese

can firms will be able to be competitive with firms from other countries," said Eugene Matthews, an American businessman living in

Former Prime Minister Bob Hawke of Australia, who was in a welcome step toward lifting the

He said the United States seemed to have recognized what other nations already acknowledged: that Vietnam was helping the UN peace plan in Cambodia and cooperating on the MIA issue. Washington has made coopera-

tion in those areas conditions for lifting the embargo and normalizing relations with Hanoi. The United States imposed the embargo on Hanoi in 1964 and

extended it to a reunified Vietnam in April 1975, after the Communist victory over the U.S.-backed government in Saigoo. Mr. Matthews, the president of Ashta International, a U.S.-based

companies had been to Vietnam this year. He expected some to move quickly to sign contracts. (Reuters, AFP)

investment and consulting firm,

said that at least 100 big American



BUILDING ANEW —A woman carrying a plank to help build a shelter after the earthquake Saturday destroyed her home in the Indonesian coastal town of Maumere, one of the worst-hit areas. The army began mass burials for some of the nearly 2,500 who died in the quake and tidal waves that swept hundreds out to sea on Flores and two nearby islands in East Nusa Tenggara Province.

### Andy Kirk Dies at 94, Led Clouds of Joy Big Band

one of the last surviving orchestra leaders from the big-band era, died Friday at his home in Harlem. He had Alzheimer's disease.

Mr. Kirk was a contemporary of Duke Ellington, Count Basic, Fletcher Henderson and Jimmy Lunceford. Although his Clouds of leader George E. Lee, who offered Joy never reached the fame of those the band work in the rich entertainbands, he ran one of the best orchestras in jazz, a band with sophisticated soloists, intelligent arrangements and the Kansas City sound. Mr. Kirk was born in Newport,

Kentucky, in 1898 and grew up in

Dark Clouds of Joy, in Dallas. After the band broke up, Mr. Kirk took over its remnants, changed the name and secured work in Oklaho-

There he was heard by the band leader George E. Lee, who offered ment world of Kansas City. Mr. Kirk and the band relocated there. In 1936, Mr. Kirk's band had a hit with 'Until the Real Thing

Comes Along," cementing its sta-

ma City.

New York Times Service

Denver. By 1927, he had quit his fine ear for musicians, and before his band broke up in 1948, he had used the talents of Charlie Parker, Claude (Fiddler) Williams, Dick Wilson, Fats Navarro, Thelonious Monk, Howard McGhee, Don Byas, Ben Webster, Lester Young

> Ellis G. Arnall Dead at 85, Former Governor of Georgia

NEW YORK (NYT) — Ellis G. Arnall, 85, who sliced through red tape and Southern tradition as gov-ernor of Georgia from 1943 to 1947, died of pneumonia Sunday in tus as an attraction. Mr. Kirk had a

piled a progressive record in his one term as governor. He won a fight to abolish the \$1-

A Democrat, Mr. Amail com-

a-year poll tax as a voting require-ment, lowered the voting age to 18 and took his case for fair freight rates in the South to the U.S. Supreme Court. He was elected governor when he was 35 and was considered the boy wonder of Georgia

politics.

William H. Avery, 87, a partner and chairman of Sidley & Austin, one of the largest U.S. law firms, died Saturday in Winnetka, Illi-

### Burma Hints at Trial For Dissident Leader

By Philip Shenon New York Times Service

RANGOON, Burma — Daw Aung San Sun Kyi, the Burmese dissident who won the 1991 Nobel Peace Preze and who has been under house arrest here for more than three years, is not an a hunger strike, and she may yet face a criminal trial, the government said."

We can put her on trial environe we like because we have lots at evidence which can be used against her, said Colone Ye Hun. 3.

spekesman for the junta that controls Burma.

He said that the government had resisted a criminal until now because Daw Aung San Sun Kyi, who was placed undergouse after in 1989 as the campaigned to bring democracy to her Sometand, is the daughter of the country's assassinated independence index.

"Since she is the daughter of our national leader, our belowed," leader, we will not put her on trial as of this time." Colonel Ye Hung said, noting that Daw Anng San Sun Kyi was being held under hearst arrest on charges of "disturbing the peace."

Asked on her "

depends on her." in a meeting on Monday in Rangoon, the capital eight senior government spokesmen offered the junta's most detailed account in more than a year of the conditions of Daw Aung San Suff Kyr's house:

The spokesmen disputed assertions by her husband that Daw Aung San Sau Kyi was refusing to accept food as a pigitest over her imprisonment in her family's lakeside compound in Sangoon.

"She is not on a hunger strike, and her health if good," said Lieutenant Colonel Kyaw Win, deputy director of Burina's Director-

ate of Defense Services Intelligence. Her husband, Michael Aris, an Oxford University scholar who last visited his wife in August, said last month that Daw Aung San Sun Kyi had decided not to accept any more assistance from family. friends and the junta, including food, to protest her confinement.

She is facing a situation where she is running out of food and

money," Mr. Aris said. Colonel Ye Hust described Mr. Aris's account of his wife's situation as "completely incorrect."

SEEN ON THE 2ND FLOOR OF 15 RUE DU FAUBOURG SAINT-HONORÉ

PURE CASHMERE,

**CHARCOAL GRAY COAT** 

TO KEEP THE INNER FIRE BURNING

IN WINTER.



COATS FROM 4,600 FF

### **Laboring Hard** At an Apology

TOKYO - Labor Minister Masakuni Murakami made apologies of a sort on Tuesday for criticizing foreigners work habits, saying he had been misunderstood.

According to Kyodo news agency, he told reporters on Monday: "Foreigners do not work. That is why they are economically being left far behind Japan and Germany."

At a news conference Tuesday, Mr. Murakami said: "I wanted to say that economic development by resource-poor Japan was due to diligence."

### A Last Republican Hurrah in Beijing Stirs a Fuss

By Daniel Southerland and R. Jeffrey Smith merce and State departments, the office of the U.S. trade said the jet engines and related gear could be used to power

Washington Post Service
WASHINGTON — Commerce Secretary Barbara H. Franklin will begin a four-day trip to Beijing on Wednesday amid dispute involving the members of her delegation and two impending sales of U.S. technology to China.

The announced goal of Ms. Franklin's trip is to advance U.S. business relations with China, but the trip has raised

cyebrows among some because it comes less than seven weeks before key decisions will be turned over to Bill Clinton when he is inaugurated as president. A Commerce Department official said that 16 officials

were traveling on Ms. Franklin's plane, including nine political appointees, and that they would be joined by 11 more political appointees who went ahead of the secretary to A Commerce Department spokesman, Mark Miner, said,

"For security reasons, we traditionally have not released the names of U.S. government delegation members." Mr. Miner said delegation members come from the Com- protests at the Defense Department, where some analysts

representative and the National Security Council staff and would be engaged in several high-level meetings.

Senator Jesse Helms of North Carolina, the senior Republican on the Foreign Relations Committee and a strong critic of the Bush administration's China policy, suggested that the Republican National Committee rather than U.S. taxpayers pay for Ms. Franklin's trip.

Ms. Franklin had planned to announce a U.S. decision to approve the first export of a supercomputer to China during her visit, but the administration deferred a decision after an internal dispute that pitted officials worried about its potential military use against those eager to improve U.S. trade. U.S. officials said last week that the Bosh administration

also planned to allow a sale to the Chinese military of U.S. technology that China needs for jet engines to power its own training aircraft and for a ground-attack bomber that China intends to export to Pakistan. The proposed sale of the engine technology provoked

An aide to Mr. Helms said that the national security adviser, Brent Scowcroft, assured the senator that neither the supercomputer nor the jet engine technology would be offered to China during Ms. Franklin's visit.

■ Clinton on China's Trade Status

President-elect Bill Clinton says he does not think it will be necessary to revoke most-favored-nation trading status for China if it continues to make progress on human rights and other issues, Reuters reported from Little Rock.

"I don't think we'll have to revoke the MFN status," Mr. Clinton told his national economic conference Monday, "if we can achieve continued progress along these lines."

He said the Chinese had agreed recently to stop exporting products made by prison labor to the United States, and to open Chinese markets to some American products, after "the Bush administration finally agreed to put a little heat on

Two escape artists have tied themselves together as shown. Can they separate themselves without cutting the string or untying the knots?

### Can you free yourself from networking tangles without unravelling your network?

Spent any money on computers lately?

Hopefully, it's not a sore subject. If it is, it's probably because you've discovered that not all computers want to talk to each other. Yet the need for computers to exchange information has never been greater. How do you get them to communicate without totally changing what you already have?

We believe you do it by working with companies that believe in open systems. That's why we shared the UNIX® operating system, which was invented at AT&T Bell Laboratories, with other manufacturers. Now, through the people and products of NCR, an AT&T company, we're helping businesses create networks that can use many different suppliers? and technologies. This approach lets you design your network around your needs, and not around the vision of a single vendor.

AT&T supplies a range of services and equipment to consumers, business customers and telephone companies. We do it by listening closely and working together with you towards a solution, rather than by telling you we have a prepackaged answer thevery problem you face.

In other words, we model our networked communications on the most open relationship of all: the one we have with our customers.



(Continued from page 1)

generally opposed as a human-

Hamas, said Yossi Sarid, a memher of the Knesset from the leftist Meretz bloc, "is a murderous and fanatical organization, struggling openly and declaredly against peace, and therefore it should be crushed with an open list."

A government crackdown had begun with a reported roundup of 1,200 suspected Hamas members even before the sergeant's body was found by a Bedouin Arab woman Tuesday morning near the main toad linking Jerusalem and the West Bank city of Jericho.

While details of the autopsy were not officially announced. Israel Radiosaid the victim had been repeatodly stabbed and that it was thought he had been killed Monday night, or roughly 36 hours hours after he was seized on a Lod street while on his way to work.

Among those arrested overnight by the Israelis was Taher Shriteh, a Palestinian journalist who works for several foreign news organizations, including The New York Times, Reuters, CBS and the BBC.

#### Syria Ends Visas For Exiting Jews

NEW YORK — Syria has stopped issuing exit visas to Jews living in the Arab country, sources close to the emigration movement (ay. The sources said that the Syriand allowed about 75 percent of the country's 4.000 Jews to leave since April but stopped issuing visas about two months ago.

A U.S. State Department official confirmed that Syria had stopped issuing visas and said that the matter had been raised at "the highest levels." She added that Syria de-

nied any change in policy.

The sources said they believed the visas were stopped because Syria might be seeking a bargaining chip in its dealings with the incoming Clinton administration.

Repeated attempts on Tuesday to find out from Israeli officials why Mr. Shriteh had been detained were unavailing. Un Dromi, director of the Government Press Office, which had issued official credentials to the Palestinian reporter. said he also had not been told the

reason for the arrest. Mr. Shriteh, a leading journalist in Gaza, was held for 38 days last year for sending faxes of Hamas leaflets to Reuters, leading to army charges that he had kept a fax machine illegally and had "given aid to an enemy organization." Most of his time under arrest was spent in solitary confinement.

Human Rights Watch, a New York-based group, sent a letter on Tuesday to Prime Minister Yitzhak Rabin, expressing its concern for Mr. Shriteh's well-being.

It was not clear if the mass Hamas arrests involved specific suspects or was instead a general roundup of people who may not be held for long. In addition to the arrests. Gaza and the West Bank have been closed for the last two

Discussing the Hamas roundup in the Knesset on Tuesday, Mr. Rabin pledged that his government would continue to "strike unmercifully" against the group but would not be goaded into giving up on the peace negotiations under way in Washington.

The prime minister was clearly on the defensive, for the recent explosion of violence has undermined his election promise last spring to guide Israel toward a peace agree-ment while preserving Israelis' security. He has come under withering attacks from rightist opponents for having made concessions to the Palestinians that, in their view, make Israel look weak and vulnerable to still more violence.

"This terrorism reflects the national and religious Arab fanaticism to exterminate us, to murder Israelis and murder the entire Zionist idea," said Benjamin Netanbecome the Likud party's next

### WRECK: Scramble for Souvenirs

(Continued from page 1)

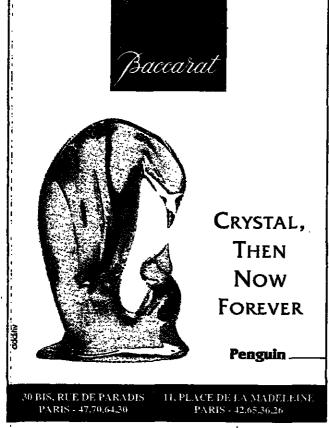
and Exploration, which carried out the expedition with a manned mini-submarine, Titanic Ventures agreed not to sell any artifacts brought up from the wreck, but it can organize exhibitions and charge an entry fee. Individual owners, though, will be allowed to sell any items they now recover. Mr. Josselin nonetheless anticipated conflicting claims of owner-

Identifying ownership will be difficult. Four tie pins carry the initials "RLB," some leather goods identify where in London and Paris

they were acquired and numerous bottles display the names of the oils, dyes and lotions they once carried, but invariably there is no hint of ownership.

Indeed, while some of the jewelry may have more intrinsic value, the items' principal worth is simply that they come from the Titanic and, as such, may interest collec-

"What most struck me," Mr. Josof day-to-day objects, there was nothing made of plastic. That, if nothing else, shows how much times have changed."



### ISRAEL: Soldier's Body Is Found Snapshots of Mogadishu: At Least One Touch of Normality

By Donatella Lorch

New York Times Service
MOGADISHU. Somalia — Idriss Hassan received his last paycheck three years ago. Still, every day from 7 A.M. until 3 P.M., he works as a traffic policeman. guiding cars, camels, trucks, and people through one of Mogadishu's trickiest intersections.

It is not only a difficult task but, in a city without any form of government, electricity, or phones, it is an unusual touch of normality.

The traffic light has been dead for more than a year. and the intersection, on a main avenue about a mile from the U.S. Embassy compound, is more like a bumper-car arena. Dented mini-vans, their headlights. windshields, windows, and doors missing, aggressively inch their way in between pickup trucks so loaded with passengers that some ride sitting on the hood and the roof. Adding to the mix are the newly-arrived Humvees and other American military vehicles.

More often than not, the din of car horns drowns Mr. Hassan's shrill whistle. But it is a job that he does

"I do it for my country and because I love being a policeman." he said.

There were once more than 200 traffic policemen in Mogadishu. Now there are only a handful, said Mr. Hassan, a slim 55-year-old who has spent 30 years in

the traffic police and works at the intersection with four of his friends.

Other former policemen want to come back to work. but they do not have uniforms. All that is left of Mr. Hassan's original uniform is the blue beret, the epaulettes, and his whistle. He had to make himself new

khaki trousers, and he sewed his own white shirt. Tears welled in Mr. Hassan's eyes when he recounted what he once had.

"I had beautiful white gloves that I used to direct the traffic," he said in fluent Italian learned during colonial rule of this part of Somalia. "I had a shoulder holster and a gun and shiny black boots, and everyone respected me."

Since American troops arrived in Mogadishu last week, thousands of Somalis have gathered on the streets or perched in trees to stare at the passing soldiers. For the most part, they have been friendly and curious. But in this unpredictable city, this too can change in an instant.

When a Somali woman got out of a jeep full of along n French soldiers on Monday outside a hotel where capital. more than 100 foreign journalists are staying, the crowd of mostly men, angry at her for being with foreigners, reacted like wildfire. Shouting, they quickly surrounded her and threw her to the ground. Some men stomped and kicked her, while others tore off her clothes and hit her in the head with sticks.

from her. Then the men dragged her by her hair into a nearby compound and they threw stones at passing

photographers. The attack was witnessed by journalists on the roof of the hotel, and French Foreign Legionnaires

watched from the roof of another building. No one intervened. Later jailed on charges of suspected prostitution.

she faces trial before a religious court. Newspapers said that if convicted, she might be executed. It was all over in 10 minutes. The crowd returned to

soldier-watching.

Weapons may have mostly disappeared along the main avenues of Mogadishu, but they are highly visible at the Bakara market.

Patched together under rusty corrugated tin roofs and burlap-topped huts, the market stretches out along narrow, muddy lanes in the western part of the

It is one of busiest places in the city, and one of the roughest. Hundreds of Somalis meander through the chaotic, pickpocket-infested crowd accompanied by bodyguards toting M-16s and AK-47s. Armed men guarding the stalls and stores threatened to shoot loiterers, including Western ones. There is much dis-

She pulled out a knife and managed to stab one of her attackers before the weapon was wrestled away most talkative with a Western visitor were the few people who hissed: "Be careful! Watch out!"

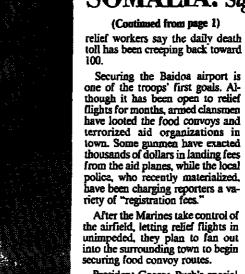
At a wheat store, the counter is used to prop up the owner's recoilless rifles. Much of the wheat, rice, and flour in the stores has made its way to the market after being looted from the warehouses and convoys of foreign relief agencies trying to alleviate the suffering

in the famine-stricken interior of the country. The looting may have kept the Somali economy afloat, allowing the citizens of Mogadishu access to affordable food. But in the last couple of weeks, prices for basics have skyrocketed because supplies have

Dates imported from Sandi Arabia cost the equiva-lent of \$1.80 a pound, sugar from China has tripled in price in the last week to \$3.60 a pound, and rice has doubled to 70 cents a pound.

Conversely, the price of weapons has plummeted since the Americans arrived and began fitful efforts to collect arms from Somalis, An AK-47, the most popular assault rifle here, now fetches \$50, down from \$150

One of the biggest businesses is in Somali passports. For \$50, anyone can choose from stacks of green passports, complete with stamps and an empty plasticized square for a photograph.



securing food convoy routes. President George Bush's special envoy to Somalia, Robert B. Oak-ley, met with relief workers and clan leaders in Baidoa on Tuesday, and told the relief agencies that the military would explain to them on Wednesday how the relief effort would work.

"We're not expecting any real opposition," said Captain Robert Castelly, the command of the unit that will lead the ground convov into Baidoa.

Thirty kilometers outside Moga-

#### SOMALIA: Signs Along the Way (Continued from page 1) dishu on the way to Bali Dogle, long green rows of corn sprouted relief workers say the daily death

toll has been creeping back toward from reddish-brown soil on either side of the road. A middle-aged man and woman were seen tilling Securing the Baidoa airport is the soil with short hoes. Mango one of the troops' first goals. Altrees, banana palms and tomato though it has been open to relief flights for months, armed clansmen have looted the food convoys and vines grew in other fields. On a footpath next to the road-

way, men armed with switches and automatic rifles berded hundreds of meandering camels toward the market in Mogadishu. "People out here live a lot better than in the city." said Corporal Patrick Haley, 24, a sniper observer

from Houston. "These people aren't skinny. They seem healthy. But there were also signs of poverty, and of the chaos brought by the two years of civil war. Power poles stood naked on the

roadside, their cables long since stolen for their copper. At hamlets along the route, residents sat in ramshackle twig huts, some roofed with corrugated metal. "I'm glad some of these people aren't that badly off, said Gunnery Sergeant Arthur Torres, 36, of San

"But help's here for a lot of other people, and that's what we're going

Diego, motioning to workers in the

### CLINTON: An Experiment in Political Education

A starving youth in a Baidoa feeding center on Tuesday was among many waiting for Western help to arrive.

selin said, "is that in such a long list in which each student tries to make a pet point, with no one putting it all together or paying attention to what the last person said.

None of it seemed to bother Mr. Clinton, probably because this con- let alone the people watching all ference for him was not just a dismatter of politics. What Mr. Clinton wanted most out of it, aides said, was not a report on the state of the economy, not an agreement on a specific economic recovery plan. He basically knows what he is

going to do already. He was trying to create a political mood - a nationwide consensus that the economy is in a structural decline. He also seemed to be trying to persuade Americans that "so that you get some sense of what their president-elect was working an incredible downward spiral on it, but that no one should expect we're in. Because more costs keep a quick fix.

"Just think of the ripple effect." said his communications director, George Stephanopoulos. "Even people just scanning channels will see their president-elect working on the problem they care most about.

we're talking about." At its best - and that was only in spurts - the conference was educational. At one point, Mr. Clinton evocatively translated a detailed presentation on health-care costs by Stuart Altman, a professor at Brandeis University, in a few

brief sentences. point he made," Mr. Clinton said, being shifted to the private sector, elect

more private sector people stop insuring their employees."

"We are literally now up to 100,000 Americans a month losing their health insurance," he contin ued. "An enormous percentage of them then qualify for state Medicaid benefits. Then, as soon as they federal deficit. And since states can't run a deficit, they all go out and either underfund education, or underfund children's investment programs, or raise taxes, and that takes money way from other kinds of investments."

The conference was also a nationally televised job audition for "I just want to reinforce the those interested in the subcabinet posts that Mr. Clinton still has not filled. Like peacocks on audition, several speakers fluffed their intellectual plumage for the president-

#### BUSH: President Sets Forth Foreign Policy Doctrine (Continued from page 1)

recent history and historians' views that outlined on Tuesday by Mr. on his four years in office. As he spoke, President-elect Bill

Clinton was chairing a detailed roundtable on the issue that voters November evidently believed Mr. Bush had sorely neglected: the U.S. economy.

The speech is one of a few Mr. to call for public backing for the Bush plans to make in the waning new president, who is expected to pursue a foreign policy that in dently hopes will define his view of many respects is more similar to

#### appeared to be pursuing during his presidency. During his campaign. Mr. Clinton repeatedly called for a foreign policy based on American values and democratic traditions

and a re-evaluation of what he

Mr. Bush made it clear that he

Bush than to the policies Mr. Bush

was not endorsing "reckless, expensive crusades" but rather an activist American approach The post-Communist world with its clashes of nationalism, he

said, "could be as menacing" as the Cold War, he said.

"And let me be blunt," he added. "A retreat from American leadership and from American involve ment would be a mistake for which future generations, indeed our own children, would pay dearly.

History will record, he said proudly and to sustained applause, that "the end of the titanic clash of political systems and the collapse of the most heavily armed empire in history took place without a shot

being fired. The president received his most enthusiastic ovation when he referred to his long years in positions of political leadership.

History is summoning us once again to lead," he said. "Proud of its past, America must once again look forward and we must live up to the greatness of our forefathers' ideals, and in doing so, secure our grandchildrens' futures. That is the cause that much of my public life

that Mr. Clinton would "do his level best to serve the cause" that he outlined Tuesday.

### IBM: Research Budget Slashed Amid 25,000 Job Cuts

(Continued from page 1) ly Japan, were "softening," although there remained "some ebullience, and that's China."

Europe is expected to bear a big share of the cuts. An IBM spokes-man said about half of the 25,000 cuts would take place in the United States, where JBM has 158,000 of its 300,000 employees, while most of the rest would take place in Europe, where IBM has about 100,000

The \$6 billion charge against earnings in this quarter was far larger than analysts had expected. again, In March, it was lowered

Mr. Metz said the company expect- two notches, from Aaa to Aa2. ed to break even this quarter but could not promise better times for 1993 even if the U.S. economy continued to hold up.

Among those expressing concern at the analysts' meeting were representatives of the Ford Foundation, which like many trusts and other funds holds big blocks of IBM stock and has not moved quickly enough to dump it as its value fell

by half in the past 18 months. Moody's Investors Service said that it might cut IBM's bond rating

An associate director at Moody's, Alfred Pastore, said, "The reason IBM is under review is

that it seems to be in a free-fall." He added that IBM was unable to cut costs fast enough to keep pace with shrinking sales volume, stabilize its business position and improve its market share.

Last year. IBM had a record loss of \$2.82 billion, on revenue of \$64.7 billion. For the first nine months of this year, it reported net income of \$498 million, on sales of \$44.96

should consider using military force only in those situations where the stakes warrant, where it can be effective, and its application limit-

ed in scope and time.
"As we seek to save lives, we must always be mindful of the lives days of his presidency that he evi-

RUSSIA: Unfinished Business (Continued from page 1) cies pursued by his government have been milder than the shock

lowed them to accumulate huge debts. By Western standards, unemployment is still low. With inflation running at 25 percent a month, the new prime minister's margin of economic maneuver is very narrow. Mr. Chernomyrdin is likely to face soon the choice that the Gaidar government sought to avoid: allowing factories to go

therapy acclaimed in Poland. Rath-

er than forcing bankrupt enter-

prises to close, the government al-

bankrupt or reintroducing state economic controls. The new prime minister will have an uphill struggle winning the con-fidence of Western financial institutions. Mr. Gaidar was widely regarded in the West as the symbol of Russia's determination to push shead with a free-market economy. Mr. Chernomyrdin is a largely un-

known quantity When Mr. Chernomyrdin was to support Mr. Yeltsin after this."

named fuel and energy minister in May, the appointment was interpreted as a victory for the industrial lobby. He had served in the same position under the Soviet president. Mikhail S. Gorbachev, and was clearly a consummate insider. But he called for the liberalization of energy prices, a step that the Gai-

dar government never dared to

The change of prime minister is likely to lead to a shake-up in the Russian political scene, with Mr. Yeltsin no longer able to rely on the weakened democratic camp as his political base. Several radical legislators who had supported Mr. Gai-dar accused the president of a sellout and said that they would now

This is the end of the Gaidar era," said Anatoli Shabad, a member of the Democratic Russia group. "It will lead to a further destruction of the economy and possibly even the breakup of Russia. Many democrats will be unable

has been dedicated to serving."
He said he was "very confident"



from China in the northeast to Iran lead. But the nation has nonethed which serves as a guide to which struction and Development. There

from the region impressed by the cultural affinities. "They look like Asians," the stage for becoming the dominant aid donor to the region.

A key decision came earlier this assistance to be defined as development bank.

A key decision came earlier this assistance to be defined as development bank.



Prime Minister Viktor S. Chernomyrdin at his press conference Tuesday. He restated support for "a market-oriented economy."

### Kremlin Chief: A Manager With a Good Record

By Steven Erlanger

New York Times Service MOSCOW - Viktor S. Chemomyrdin, Russia's new prime minister, has had a long and successful career as a manager and cabinet minister in charge of the country's huge

What was striking was how few of the legislators who voted for him know much about him. But many said they knew the type: a strong, experienced administrator who ran a vital industry with wide international contacts, but who was no Communist Party hack.

Mr. Chernomyrdin had been brought into the cabinet of Acting Prime Minister Yegor T. Gaidar at the end of May with two other industrialists.

Their inclusion was an attempt to broaden Mr. Gaidar's government of young. Westernized economists and appease outraged managers of state enterprises, who were struggling with the end of a centralized, command economy and the collapse of the Soviet Union.

But Mr. Chemomyrdin's appointment as a deputy prime minister for fuel and energy was based on competence and caused no controversy. He replaced a Gaidar friend, Vladi-mir Lopukhin, who was acknowledged to have been a failure in the job.

Mr. Chernomyrdin, 54, is widely considered "to have worked hard in the government, and with no political ambitions," Nikolai Vorontsov, a pro-change legislator and for-mer environment minister, said on Monday. Mr. Gaidar himself was generous in his comments.

in the southwest, officials returned

a senior Finance Ministry official

Japan's strategy appears loosely coordinated, with different minis-

tries pursuing separate agendas

sees the priorities of reforms in a slightly different way. But on the whole, Chernomyrdin wants reforms to be carried on. This is why I'm not an out-and-out pessimist about every-

thing we have accomplished being in vain." The changes, he added, "have a great momentum of their own, and it is very difficult to reverse them."

Mr. Chernomyrdin tried to calm nervousness about the future of Russian economic change by asking members of the Gaidar cabinet to stay on, at least for now, and restating his support for "a market-oriented economy."

But in his first interview as prime minister, with the Itar-Tass press agency, and in a statement thanking the Congress of People's Deputies, he gave a clear sign that his "priorities of reforms" would be different and would concentrate on trying to reverse the fall in industrial production, which is down about 25 percent from a year ago.

"No reform will work if we destroy industry completely," he said. "We should switch to another stage — pay serious attention to production. This will enable us to do more for agriculture, for boosting output. We will rely on basic, key industries, that will help revive the rest."

As Mr. Gaidar fought to prevent a continuing and inflationary flow of central bank credits to Russia's struggling factories, he insisted that it was "impossible to produce our way out of crisis" by making goods that no one wanted to

But Mr. Chernomyrdin is expected by Russian lawmakers, Western diplomats and economists to keep the credit tap 1992.

less taken a series of steps that set countries should benefit from aid, is no precedent for states belonging

open, which may risk turning the already dangerous 25 to 30 percent monthly inflation into something close to hyperinflation, or 50 percent a month, by spring.

Mr. Chernomyrdin said Monday that his main task was to deepen reform, but without impoverishing our people." His statements implied further efforts to strengthen the social safety net, slowing the rise in unemployment, and continuing to raise pensions and salaries in line with inflation. Such policies will inevitably create a bigger deficit, which when added to new credits, is likely to further delay

already fading Western hopes for economic stabilization.
But if Mr. Chernomyrdin can help export industries like
gas, oil and timber, and crack down on illegal exports, he may begin to bring in the hard currency Russia needs for crucial imports and to support the ruble.

Viktor Stepanovich Chemomyrdin was born in 1938 in a village in the Orenburg region of Russia, worked as a compressor operator, and graduated from a technical institute through correspondence courses. He next became a machine operator at an oil refinery, and, from 1967 to 1973, worked in the industrial department of the Orsk city Communist Party. He moved into the gas industry and served as an instructor in the party's Central Committee from 1978 to

That year, he was made deputy minister of the gas industry, and, in 1985, when Mikhail S. Gorbachev came to power, he became a minister. In 1989, he turned his ministry into the first state corporate complex, Gazprom, and was its chairman before joining the Gaidar government in May

Japan also plans to open embas-sies in Kazakhstan and Uzbekistan

conversant in Turkish and related

Japan will get help from Turkey, which is vying with Iran for region-al influence. Prime Minister Suley-

kyo last week and asked Prime

Minister Kiichi Miyazawa to assist

setting up a bank to provide devel-

#### Marching Band Walks Off With Booty in Japan

TOKYO - Members of the Texas Southern University marching band stole more than \$22,000 of electronics products on a trip to Japan and returned most items when the police threatened not to let the band leave the country,

officials said Tuesday.
The band was in Tokyo to play at a football game be-tween two U.S. colleges Dec.

A police spokesman said that before their return to the members were taken in buses on a shopping trip to an area with many electronics shops.

Store employees saw members stealing products and chased them, but the Americans returned to their buses, the spokesman said.

Shopkeepers could not identify the thieves since the band members were wearing

The police told band members that unless the stolen buses would not be permitted

About 100 items were given back, but about \$3,500 of goods were not returned. A spokesman for the Japanese organizer of the game said that officials had received money for the unreturned products from Texas South-

### With Oil and West's Appeals in Mind, Tokyo Plans Aid for Central Asia tween Asia and the Middle East, and the Foreign Ministry in the cration and Development. The list, of the European Bank for Recon-

month, when Japan overcame

French and U.S. opposition to put the five republics on the develop-ment assistance country list of the

Organization for Economic Coop-

By Steven Brull TOKYO - Japan, hamstrung

politically in responding to grow-ing Western demands to give assistance to Russia, is laying the groundwork to become the leading donor to the live Central Asian republics of the former Soviet The aid, which could begin flow-

ing next year and eventually be-come substantial, is aimed chiefly at supporting the transition of those states from centrally planned to market economies.

Tokyo wants to help stabilize a region where an ascent of Islamic fundamentalism could create disturbances affecting oil shipments from the Gulf, Japan's main source of supply, officials said.

But Japanese aid to the republics - Kazakhstan, Turkmenistan, Uzbekistan, Kyrgyzstan and Tajikistan -also provides a way to satisfy growing Western pressure to share the burden of aiding states that have spun out of the Russian

Officials say President Boris N. Yeltsin's cancellation in September of a visit to negotiate the two nation's long-standing territorial dispute hardened attitudes in the gov-erning Liberal Democratic Party, and quashed hopes held in some quarters of stepping up aid to Mos-

"It's the pragmatic way to assist

visiting scholar at the Ministry of Finance and an associate professor at Smith College in Northampton.

Giving aid to the republics also underscores Tokyo's growing ability in the post-Cold war era to adopt

more independent and strategic "They're taking real leadership in central Asia," said Robert Orr, director of the Institute for Pacific Rim Studies of Temple University in Japan. "They intend to be th major player," he said. The United States and the European nations,

he added, lack the means or determination to aid the region as much. Japan's official development assistance budget is the world's largest, and it is expected to grow by 5 percent, to about 1 trillion yen, or \$8.06 billion, in the fiscal year be-ginning next April. Although To-kyo coordinates its aid with Western-dominated institutions, its policies have assumed greater inde-pendence, especially in Asia, a region it sees as its natural sphere of

Japan began exploring its interest in the central Asia republics in May, when Foreign Minister Michio Watanabe visited the region. A high-level Finance Ministry delegation toured in October.

Although the central Asian re-publics straddle the crossroads be-

# For 140 Years, the Spirit of Innovation has been the mmon Thread

ment aid.

Tokyo has also been leading a drive to admit the republics to the Asian Development Bank, even use Japanese aid. But Japan still use Japanese aid. But Japan still ask of regional ex-

though they are already members faces a serious lack of regional ex-

### The Hague Appoints New EC Commissioner

THE HAGUE - Foreign Min- Treaty on European Union. ster Hans van den Broek of the Netherlands will succeed Frans Andriessen as the Dutch European commissioner, effective Jan. 2, the government said Tuesday.
Prime Minister Ruud Lubbers

told the States-General, or parliament, that the Netherlands had offered the EC Commission its best candidate in view of the current problems within the European Community.

"It is important, considering the phase Europe is going through with all its worrying aspects, that the best possible could be expected of the Netherlands," Mr. Lubbers

Mr. Andriessen, the longestserving member of the European Community's executive commission and the second most senior official in Brussels after Jacques Delors, president of the commis sion, asked not to be reappointed, the Dutch Foreign Ministry said.

Mr. Van den Broek will be suceeded by Pieter Kooijmans, 59, a

Mr. Van den Broek, 56, a Christian Democrat who became foreign minister in 1982, is the longest serving member of Mr. Lubbers's center-left cabinet. In submitting his resignation, he

said that he was determined to work for closer European ties. An articulate advocate of the federalist approach to European integration, he is seen as one of the main architects of the Maastricht

his appointment was a surprise and that it throws into question the future of Mr. Lubbers, who is widely seen as the front-runner to succeed Mr. Delors as president of the com-



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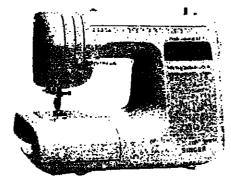
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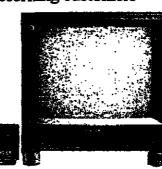
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### **Caution Makes Sense**

lia proceeds with an evident measure of caution. Impatient voices can be heard demanding that the Americans stop the starving and killing immediately. The American government is defending the manner and pace of the operation, and so it should. It is a bold and risky mission, and to conduct it imprudently is to endanger the lives of those in the intervention force and to preclude the rescue of countless Somalis.

Disperse soldiers quickly to pacify and feed the countryside? There are practical reasons to consolidate staging points at the country's two international-type airfields and to ensure that American troops not go into the hinterland — of a country which, on an American map, would stretch from Florida to Michigan — until the political and military way has been smoothed. Not the relief agencies and not remote observers but the military commanders are the right people to make these operational decisions. The shadow of Beirut, where several hundred Americans died in a situation in which the American government did not appear to

know what it was doing hangs over Somalia.

A crack of political difference has opened between the United States and the United Nations. Now that the United States is there, the United Nations wants Washington to move beyond its chosen purpose of

The American-led intervention in Soma-security-for-relief and to disarm all the gunmer, and deliver a quiet country to international political and developmental rehabilitation. It is a bit artificial to distinguish between a U.S. relief mission and a UN rehabilitation mission, but the U.S. government, which is trying to draw a line, should keep on trying. Any other approach risks stirring Somali resentment and tempting other countries to freeload on Washington.

The American military command describe the Somelian and the state of the st

The American military command describes the Somalia operation as "first and foremost" a "political activity supported by military power." So it is in two senses. First, the United States is not shooting its way into what is, after all, a sovereign state, although one currently without a government; with the veteran diplomat Robert Oakley in a key advisory role, it is negoti-Oakley in a key advisory role, it is negotiating its way in — and in fact it did so in Mogadishu with a success that converted a potentially dangerous landing into a press extravaganza. Then, the American purpose is not to take over and run the country but to hand it off to a Somali political process whose reconstruction is being overseen on the ground by a UN represen-tative, Ismat Kittani. Care in the military aspect of this operation can give its politi cal aspect the auspicious launching that Somafia desperately needs.

- THE WASHINGTON POST.

### **Opportunity for Bush**

as the president whose diplomacy ended, at long last, the nuclear arms race. One crucial piece of the puzzle eludes him - completing a second strategic arms treaty. START-2 could be his most important legacy. Yet this magnificent opportunity might slip away unless he personally intervenes. Secretary of State Lawrence Eagle-burger and Foreign Minister Andrei Ko-

zyrev have failed to resolve a few remaining technical issues. These pale next to the larger significance of the treaty. START-2 would ban all land-based multi-warhead missiles and reduce the total of warheads on each side to between 3,000 and 3,500 — down from 11,000-plus today.

Strategic realities argue for a prompt conclusion. The fewer warheads Russia deploys, the easier they are to control. Moreover, given the current political turmoil, the sooner Russia begins to take them out of service, the better for the United States.

There are three remaining issues: First, Russia, in its straitened circumstances, would like to avoid the cost of constructing new single-warhead missiles and silos to shelter them. It would like to turn its six-warhead SS-19 missiles into single-warhead missiles by removing five of the warheads. Washington could accommodate Moscow so long as it can be assured that the warheads cannot be reloaded later on. That means redesigning the missile

which would be expensive, or destroying the warheads and providing for intrusive inspections, which would cost a lot less. Second, Russia would like to deploy sin-

gle-warhead missiles in the silos that now house its mammoth 10-warhead SS-18 missiles. That would be acceptable as long as Moscow destroyed the SS-18s or altered the silos to make them incapable of launching the SS-18 — both relatively cheap fixes.
Finally, the United States is planning to

convert some nuclear bombers to carry conventional warheads. Russia wants constraints on the ability to reconvert the planes into nuclear bombers. Here is an issue on which the United States could give ground and still maintain a robust deterrent

Even if the treaty is signed. Russia could delay actual disarming until Ukraine rati-fies the START-1 treaty and signs the Nonproliferation Treaty, as it pledged to do. President Bush has met some of Ukraine's demands — covering the costs of disman-thing its 176 multi-warhead missiles and paying for its share of the uranium extract-ed from warheads on its soil. And he is trying to work out some form of reassur ances on Ukraine's security with Moscow. Bureaucrats tend to tie themselves up in technicalities. It takes political leadership

to raise their sights. Opportunity — and history — await America's last Cold War

- THE NEW YORK TIMES.

### **Discussing Economics**

One of the things new presidents do is change the terms of national debate. That is part of what Bill Clinton was attempting on Monday at the national televised economic conference — Ross Perot might have called

it "electronic town hall" — in Little Rock. The Republicans spent 12 years broadcasting their view that government was the problem, the great burden that the economy had to bear. The Democrats, whether of the new or old variety, have a different perspective. They took the occasion to express it on Monday, and to float a few trial balloons besides. The president-elect used the conference, which continued on Tuesday, to make these points:

 The economy may well be recovering from the recession, but simple recovery is not enough. The election was about structural, not just cyclical, problems, and enormous structural problems remain to be resolved. The greatest of these is a low level of investment, broadly defined to mean public as well as private outlays and investment in people no less than in the traditional fields of plant and equipment.

 Higher rates of investment — all kinds - will restore the growth in productivity or output per worker on which a rising national standard of living depends. Increased investment in people, meaning more spending on education and training, is also the only long-term answer to the increase in income inequality that has split the country for the past 20 years. There is a special need to spend more on the fifth of all children who are poor. Marian Edelman, president of the Children's Defense Fund, laid out as a short-term agenda the immunization of every child against preventable diseases and full funding of Head Start, you can be confident you will hear more of both proposals.

 The need for increased public investment in a weak economy means, in Mr. Clinton's view, that deficit reduction cannot be the overriding goal. "If you go for one hard strategy over another, you might wind up aggravating some of these other issues."
He is right that the choices are "complex," but we hope-he does not stray too far from deficit reduction. There is no way the Democrats can accomplish their social objectives unless they first refill the Treasury,

 Mr. Clinton floated the idea of creating a so-called capital budget to put the delicit in a different perspective. He asked whether the government should follow business's lead and "draw a distinction between borrowing money for investment in our future and borrowing money to pay for [current] costs." The answer, if this means creating a separate "investment budget" that would not count against the deficit in the same way as the rest of the budget, is surely no. Every federal expenditure would suddenly become an "investment"; the danger exists rhetorically even now. Mr. Clinton himself noted elsewhere in the proceedings that, if anything, the structural deficit is currently understated; excess Social Security taxes (which will be needed to finance the haby boomers' retirement in the next century) mask the deficit's true size.

· Health care is the killer cost for every sector of the economy. Medicare and Medicaid are the accounts that threaten to eat the federal budget. Ford Motor Co. now spends as much on health care as it does on steel, its chairman and chief executive officer says. Part of this is a shift in cost; the rates Ford pays include the cost to hospitals and other providers of so-called uncompensated care, the care of the uninspred. The examples were used to make a case for a system that would include both universal health care and strong cost controls, which happens to be what Mr. Clinton has said he is for. He isn't president yet, but he is already using the pulpit.

#### -THE WASHINGTON POST.

#### Other Comment The Yeltsin Difference

Through all the turnoil of Russian politics, the crucial question for the West remains to what extent Boris Yeltsin and his policies can and should be supported. Com-parisons are made to Mikhail Gorbachev's final years in power, when there was specu-lation as to what could be done to help keep perestroika afloat. But there are important differences; Mr. Gorbachev's concept of reform was always tactical, a short-term, often stop-gap response to immediate chalages; his successor has a comprehensive strategic concept of systemic reform, though he has so far been unable to carry it out. Further, Mr. Yeltsin, unlike his predecessor, enjoys the legitimacy of having been

democratically elected to his post. - Neue Zürcher Zeitung (Zurich).

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# LAWYIERS & LOBERYISTS IINIFILUIENCE PEDDICED JETTHUCS COMPROMITSTED

### Clinton's Team: The Fray Will Be Interesting

WASHINGTON — There is an oddball quality to Bill Clinton's first round of cabinet and White House appointments that suggests that the new president will be kept busy refereeing fights within his administration. That

may be exactly what he wants.

He has set up a situation in which major constituencies of cabinet departments will be appealing decisions of "their" secretaries to the White House, and conflicts of ideas and priorities ment the decisions where will like the west of the conflicts of ideas and priorities ment the decision will likely himself.

ties among the decision makers will likely have to go to the president for resolution. It is this invitation to infighting as much as the strangeness of some of the choices that has Washington buzzing. This has to be the first time that the Environmental Protection Agency director is designated ahead of the secretary of state, or that the secretary of commerce is a notable and the White House chief of staff an unknown.

Maybe it will all make sense when the lineup is complete. So far the roster is notably shy of the grass-roots voices and fresh ideas that Mr. Clinton was expected to draw from the ranks of state and local elected officials and the "reinventing government" think-tank crowd. But there are plenty of jobs still to be filled.

Individually, the men and women he has named are as bright and academically well-credentialed as one would expect from a Georgetown-Oxford-Yale Law product who picked a Harvard grad for a running mate. Intellectually distants arrowing structures when you whether they will elite, the appointees surely are. Whether they will work as a team is another question. It may be, as one transition official told me, that

Mr. Clinton is deliberately counter-programming. He may be putting people in unexpected positions in order to keep the interest groups from taking over the administration before it has even opened its doors. If so, it is smart strategy. But it is producing some unexpected results.

By David S. Broder

Harvard University's Robert Reich, whose economic theories have influenced Mr. Clinton greatly, seemed a natural for a top White House greatly, seemed a natural for a top white House policy job. But instead he winds up as secretary of labor — an operating position traditionally reserved in Democratic administrations for a pal of the unions, which Mr. Reich is not.

Donna Shalala, who has run two universities, was touted for secretary of education. Instead she is named secretary of health and human secretary.

services — not welcome news to the medical industry but fine and dandy with two Shalala buddies, Hillary Clinton and Marian Wright Edelman of the Children's Defense Fund.

Ron Brown, the first black to head the Demo-Ron Brown, the first black to head the Democratic National Committee and a savvy, well-connected Washington operative, would have been a plausible and persuasive White House chief of staff. Thomas (Mack) McLarty, Mr. Clinton's boyhood friend, doesn't know much about Washington but, as chairman of a Fortune 500 natural gas company, would have been a credible secretary of commerce. So Mr. Clinton makes Ted Kennedy's old pal Mr. Brown the secretary of commerce and names Mr. McLarty

as chief of staff. Go figure.

If he wanted to keep the doctors from dominating the Department of Health and Human Services, as they have done for the last four years, the unions from calling the shorts in the I above the unions from calling the shots in the Labor Department, and business from thinking it ran the Commerce Department, he has been shrewd. But in seeming contradiction of that principle he let his super-environmentalist vice president, Al Gore, put a protegee, Carol Browner, in as head of the EPA, thus assuring that one interest group at least would dominate its part of the bureaucracy. The disposition of the agriculture, interior and education secretaryships — three other departments often run by their constituency interest groups - may tell which pattern will prevail.

In some areas Mr. Chinton has been extremely conventional. Senator Lloyd Bentsen of Texas, a gray-haired model of caution and calm judgment, is a treasury secretary right out of Central Casting. With one Wall Street big shot, Roger Altman, as his deputy and another, Bob Rubin, heading the White House's National Economic Council, the message to the financial community is "business as usual."

Similarly, by putting two of the Democrats' brightest budget wonks, the House Budget Com-mittee chairman, Leon Panetta, and a former Congressional Budget Office director, Alice Rivlin, in charge of the powerful Office of Management and Budget, Mr. Clinton seemingly signaled to the markets that he wants strong antideficit measures. Only those unkind enough to recall how David Stockman and Richard Darman, for all their vannted power and brilliance, were thwarted in that goal as budget directors will question Mr. Clinton's commitment.

With quadruple-layering of economic policy
— among Treasury's Bentsen and Altman, the
Council of Economic Advisers' Laura D'Andrea
Tyson (a Berkeley academic), the White House's
Rubin and OMB's Panetta and Rivlin — Mr. Clinton has a mechanism that looks too top-heavy for efficient decision making. But he has guaranteed that he will hear a

variety of views and probably has seeded enough conflict to have to step in and resolve it himself. That was Franklin Roosevelt's way of operating, and if it works as well for Mr. Clinton all the muttering about the oddity of his choices will soon be forgotten.

The Washington Post.

### Promoting Special Interests Is the American Way

N EW YORK — President-elect Bill Clinton is stuffing his cabinet with people who represent powerful special interests. The new treasury secretary is a friend of the oil and gas industries. The new secretary of commerce has represented a fat bank account worth of busi-

ness lobbies, American and foreign. What is more, in charge of the labor, environmental and healthwelfare departments will be people who represent the most controversial kind of special interests. That is: lifelong commitment to philosophies of government that offend some companies, unions or other groups that will be affected by them.

Wonderful news. Mr. Clinton's decision to appoint people who in the past represented special inter-ests means several healthy things. They will be likely to know what

they are talking about. The public, given responsible congressional hearings, press attention and divestiture laws, will know what it is getting. And, hallelujah, the appointment should end the great American charade of pretending that special interests by nature are evil. In the 1992 campaign all the can-

didates denounced them with routine passion. The truth is that America consists of groups that are entitled to push for their special interests and do. As long as they do it openly and legally, they are constitutionally protected and vital to democracy.

Every American is a bouquet of special interests. Some just smell better to particular noses. Here are a few of mine: As a New Yorker, I am in favor of generosity to the cities. As a Jew, I fight racial or religious prejudice as hard as I can. As a newspaperman I am almost a First Amendment absolutist — almost. Also. I like low postal rates for newspapers. I am anti-Commu-nist and anti-fascist. I do not believe in neos and am scornful of nons. Eliminating officeholders with special interests in their backgrounds would eliminate most peo-

would be banned and not one of the 1992 candidates nominated. The special-interest nature of the society depends on two conditions. One: Americans who take jobs in which they are expected legally or

ple in the country. Mother Teresa

morally to submerge their past interests live up to the rules. Two: If they

don't, they get thrown out. In journalism, columnists and editorial writers openly express opinions and try to influence people. But reporters and news editors working for nonpolitical publications or stations are honor bound to put aside their own special interests. Their job is to present articles that provide the public with the infor-

mation to make up its own mind. And the public servant is honor bound — the phrase is not embarrassing once you get used to it --- to put aside past commercial or political interest or ideology to serve only public interest as defined by law or common decency.

Crooks happen. But the alternative is to appoint only nincompoops or failures, assume all successful intellectuals, politicians or business people are scoundrels and make cynicism the only American value. Still. In almost all of us there are

collections of special interests that make it impossible to trust some people for public office, people who

feel in your stomach should not be

hanging around government.

My special interests include a survival instinct for democracy. So it is impossible for me to trust for office people who have long been associated with far-left or far-right causes

that are enemies of democracy. Thanks to the New York weekly The Forward, I know the very special interests of the educator Johnetta Cole, head of education, labor and humanities in the Clintonian interim.

Ms. Cole was a member of the national committee of the pro-Castro Venceremos Brigade, helped direct the U.S. Peace Council, which was pro-Soviet, anti-Israel, pro-Marxist in Grenada, anti-criticism of the North Vietnamese—the usu-al collection of far-left loves and hates. I think her appointment was a mistake that should be explained. I hope she does not hang around

government much longer. Propagandists for dictatorships don't suit my particular nose. But that is no reason to throw away the whole bouquet and settle for a bunch of dry weeds.

The New York Times.

### Seven Ways for Americans to Take Japan Seriously

T OKYO—As the first U.S. president born after World War II and the first elected after the end of the Cold War. Bill Clinton faces the challenge of transforming a deteriorating asymmetric and outmoded relationship with Japan into one that is minely equal, constructive and befitting the 1990s and beyond.

Japan can contribute to this over-due change, but for the United States several actions are imperative.

Formulate a Japan policy. Japan is too important to forget each time the U.S. trade deficit dips or a Bosnia

#### Wanted: Policymakers who understand Japan.

crupts. Implementing a national competitiveness strategy is a necessary condition to deal with the "Japan problem." But even if the United States had no federal budget deficit, the highest saving and investment rates in the world, the best education and work force training system in the world, etc., these alone would be inadequate to address the profound challenges posed by Japan. What is needed is an explicit, coherent and strategic policy focused on Japan.

Recognize that Japan is different. Japan is different from the United States in its political economy, more so than other advanced industrialized countries. U.S. policy must take account of these differences - not "unfairness" — in market structure and conduct, the role of the government, the idea of competition, the value at-tached to domestic control of manufacturing, the desire for self-sufficiency and the deep distrust of foreign suppliers - rather than assuming as By Glen S. Fukushima

U.S. policy has since 1945, that Japan's economy will automatically come to resemble America's. Akio Morita, the Sony chairman, asserts that Japanese companies ex-pand market share through cutthroat pricing underpaying and overworking their employees, paying meager divi-dends to shareholders, neglecting the environment and making insufficient philanthropic contributions.

Given these differences, negotiations with Japan must focus on results, not process and procedure no matter how alien this may seem to American notions of how "the market" should operate. Furthermore, such futile efforts to "remake Japan" as the Structural Impediments Initiative should be abandoned.

Integrate politics and economics. In the post-Cold War world, the United States can no longer afford to bifurcate Japan into two countries - one a trusted political ally, the other an economic rival competing for world markets. Japan needs to be dealt with holistically as the powerful nation that it is, one that routinely plays off the State Department, Defense De-partment and National Security Council, which see Japan as a faithful ally, against the Commerce Department and the office of the U.S. trade representative, which view Japan as a

challenge, if not a threat.

Consider the regional and global framework. Japan's economic power is too great and its political power too ascendant to consider it in isolation from the rest of Asia and a broader international context. Washington needs a sophisticated, realistic and strategic analysis of Japan's growing role in the world, and what it means

for American interests. For instance,

the U.S. security presence in Asia can-not be considered apart from the eco-nomic benefits Japan reaps from it. Cool the rhetoric while solving prob-lems. In the past decade, the two gov-ernments have stayed friendly while public rhetoric has grown hostile. What we need is candid problem-solving negotiations coupled with a public

emphasis on greater cooperation.

Plan and shape the future. The
United States should establish alternative scenarios of how the relationship may evolve over five, 10 and 20 years. While trying to shape the fu-ture in light of U.S. interests, Ameri-ca should forecast areas where the two countries can cooperate, where they will compete and where they are likely to conflict. The aim should be to maximize areas of cooperation, ensure benefits from competition and

minimize areas of conflict. Use expertise on Japan. The Unit-ed States needs policymakers who understand Japan — its language, history, psychology, politics, econo-my and business practices. The U.S. government's Japan expertise is woefully inadequate. Japan must be taken seriously enough to be dealt with by Americans who know that country, just as Japan has the good sense to use government officials and business people knowledgeable about the United States.

With the United States and Japan making up 40 percent of the world's gross national product, how these nations identify problems, resolve differences and work together has profound implications for the international system. By adopting the pre-

cepts outlined above, the Clinton adinistration has a golden opportunity to create a new and constructive U.S.-Japanese relationship as it prepares America for the 21st century.

The writer, an American business man based in Tokyo, directed Japanese affairs at the office of the U.S. trade representative from 1985 to 1989, and has participated in President-elect Bill Clinton's economic summit in Little Rock, Arkansas. He contributed this comment to the Los Angeles Times.

Failure to do so will heighten the risk that an economic and social breakdown will lead to a new authoritarianism - with grave implications for the Russians and the rest of the world.

and offers support.

The writer is professor of economics at the University of Massachusetts at Amherst. He contributed this comment to The New York Times.

### IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1892: Canada Is Offended

PARIS - Canada is angry with the United States — not for the first time. It is "only pretty Fanny's way," as the song says. Now she is very wroth. It seems President Harrison offended when he referred to the "unfriendly" attitude adopted by Canada on tariffs. The Finance Minister of the Dominion denies this charge, and declares that the United States blocked the way to an alteration of the tariff by insisting on a preferential treatment, especially against Brit-ish goods. Canada would not agree and the negotiations broke down

#### 1917: Italy's Message

ROME — On the occasion of the declaration of war by the United States on Austria-Hungary the King of Italy sent this telegram to President Wilson: "The United States has established itself firmly on the side of right, and its entry [into the war] will assure victory. The Italian nation threw itself into struggle in the name of its superior ideals of justice and for the realization of its legitimate aims. Italy has the greatest confidence in the nited power of the United States."

1942: Quailing at His Slip

WASHINGTON - [From our New York edition: Anguished because President Roosevelt spelled Generalissimo with too many "I's." the Office of War Information got busy with ink eradicator today [Dec. 15]. "My dear Generallissimo," said the salutation on a longhand letter to be transmitted by radio-photo to Chungking. It is a safe bet the greeting will be "My dear Generalissmo" before the facsimile is sent. O.W.I. workers announced that the note would not be available until tomorrow but gave no reason for the delay. But the story was already out. Pic-tures taken at the White House showing President Roosevelt handing the letter to the Chinese Ambassador revealed the orthographic slip.

In Russia,

A Mistaken

Therapy

By David M. Kotz N ORTHAMPTON, Massachg-

acting prime minister. Yegor Gaidar, on Monday means an end to the

"shock therapy" experiment, the West should have no regrets.

The radical economic changes had

many supporters in Russia and the

West when they were started in Janu-

ary. But a policy must be judged on its record, and the Russian plan's

record has been dismal.

The sudden freeing of nearly all prices, wholesale cutbacks in public

spending, strict limits on monetary growth and rapid privatization of state enterprises made up the core

of "shock therapy."
It was supposed to stimulate revitalization through free markets and

Far from creating the basis for a revival, the free-market plunge mainly worsened an already serious crisis. Private initiative has indeed fostered

new economic activity but largely in

small-scale commerce, services and a free-wheeling financial sector. Meanwhile, production has fallen

about three times as fast in 1992 as 1991 and prices are spiraling upward. Most Russians have been pushed be-

low the poverty line, including much

It is not surprising that Russians and their political parties and organi-

zations have become increasingly vo-

cal in their complaints about the

deteriorating economy and in calls

for a new direction.

While most Russians still want se-

rious economic reform, they are ap-

palled by the mass impoverishmen

and industrial destruction the current

Some experts claimed that "shock

therapy" was merely destroying inef-ficient "dinosaur" enterprises that should be allowed to die. But even

previously successful enterprises,

such as the giant Vaz Auto Works,

were threatened by the tight credit required by "shock therapy." It is wasteful to allow even ineffi-

cient factories to be destroyed if

nothing better is available to replace

them. It is better to reform existing enterprises than to follow a path that

would lock Russia into total depen-

dence on exports of raw materials

and imported manufactured goods.

What new policy will emerge is uncertain. Since pressure from the

Civic Union bloc and other centrist

groups is largely responsible for the Gaidar ouster, the new policy may incorporate the centrists' suggestions.

These include measures to revive

industrial production while seeking control of inflation, government ef-forts to increase investment in indus-

try and infrastructure and a more deliberate pace of privatization to en-

vamp themselves while encouraging

the growth of new private companies.
Replacing Mr. Gaidar with Viktor
Chernomyrdin does not necessarily
mean democratic reform will cease.

The centrists pushed Mr. Gaidar

out using legitimate democratic methods. The real threat to democ-

racy would have been six more months of "shock therapy."

The resulting political-economic turmoil might well have brought to power the proto-fascist groups in the National Salvation Front, destroying

any hope for enduring democracy.

end of economic reform. Rather, change is likely to take place more

gradually, with greater government guidance and with more concern for

protecting living standards and sal-vaging what can be salvaged from

Indeed, the Civic Union's call for

indeed, the Civic Umon's call for the government to play an active role in reviving production, rebuilding the infrastructure and promoting new technologies resembles Bill Clinton's program for the U.S. economy. "Shock therapy" resembled the laissez-faire or "trickle-down" eco-nomics that has an damaged the U.S.

nomics that has so damaged the U.S. economy for the past 12 years.

Mr. Clinton should make clear his

willingness to assist the Russian

government in pursuing a democratic alternative to "shock therapy."

The chances of success for a differ-

ent strategy will be much greater if the United States accepts the change

existing productive institutions.

Mr. Gaidar's fall does not spell the

private initiative.

of the middle class.

strategy has caused.

setts - If the ouster of Russia's

#### **OPINION**

### Clinton Should Be Ready For Future Yugoslavias

By Joseph S. Nye Jr.

tion will be how to respond to the new tribalism — the demand of ethnic groups for self-government. Ethnic conflicts once suppressed during the Cold War are creating a type of war for which we are poorly prepared. Yugoslavia is a harbinger of things to come. Liberalism's traditional answer to

ethnic nationalism was self-determination. It seemed self-evident that every people should have the right to rule itself; government should be by popular consent. If in doubt, let the people vote. Moreover, the right to self-determination is enshrined in the Charter of the United Nations. the United Nations.

But the experience of Yugoslavia shows that the liberal principle of selfdetermination can lead to highly illiberal results. When homogenous Slove-nia wanted to secede, the answer was easy. Why should Slovenes be ruled from Belgrade? Under Germany's urg-ing the Western world applied the same reasoning to Croatia, but independence for Croatia turned Serbs in some districts into a minority who demanded a vote on secession rather than being ruled from Zagreb. And in Bosnia-Herzegovina, where Muslims, Serbs and Croats were often mixed together like a marble cake (rather than a layer cake), efforts to create homogeneous areas led to "ethnic cleansing Simple-minded application of a liberal principle led to a fascistic practice.

- 5-

11

Appeal to democratic voting does not solve such problems because it begs the question of where the vote will be held. Who decides what self will determine? Take Ireland, for example: If Irish peo-ple vote within the existing political boundaries, Protestants in Ulster will rule over Roman Catholics, but if the Irish vote within the geographical boundaries of the island, Ulster Protestants will be ruled by a Catholic majority. Whoever has the power to determine the boundaries of the vote has the power to determine the outcome.

Moreover, one must consider the effects of a secession on the majority left behind. In 1938, Hitler used claims of self-determination for Sudeten Germans to strip Czechoslovakia of its mountain defenses. In the 1960s, bitter civil wars were fought in Africa to prevent Katan- to spill over into a more general threat gan secessionists from stripping Zaire of its copper and Biafrans from removing The evolution of a new international Nigeria's oil. It is not surprising that

issues of secession are more often deter-mined by bullets than ballots. These are not rare examples. Less than 10 percent of the 175 states in today's world are ethnically homogenous. Only half have one ethnic group that accounts for as much as 75 percent of their populations. Most of the republics of the former

C AMBRIDGE. Massachusetts — ca, a thousand ethnic and linguistic peoples are squeezed within and across some challenges for the Clinton administraples are squeezed within and across some 50 states. Once such states are called into question, the prospects for ethnic cleansing and widespread violence are openended. A foreign policy of unqualified support for national self-determination could result in enormous world disorder.

How then is it possible to preserve some order in traditional terms of the balance of power among sovereign states, while also moving toward an order based on justice among peoples? If every ethnic group is granted its own

state, the prospects are slim.

The answer must reside in greater international protection of human and minority rights. In retrospect, it would have been better to have conditioned recognition of the Yugoslav successor states on their adoption of constitutions guaranteeing human rights and accepting provision for international surveillance and mediation of the condition of minorities.

International institutions are evolving in such a direction. Already in 1945, Articles 55 and 56 of the UN Charter pledged states to collective responsibility for observance of human rights and fundamental freedoms. Even before the Security Council resolutions authorizing postwar interventions in Iraq, UN recommendations of sanctions against apartheid in South Africa set a precedent of not being strictly limited by the charter's statements about sovereignty. In Europe, the 1975 Helsinki Accords codified minority rights, and violations can be re-ferred to the European Conference on Security and Cooperation. Overall, individual and minority rights are increasingly treated as more than national concerns.

of course, in many parts of the world, such principles are resisted and violations go unpunished. A foreign policy of armed multilateral intervention to right all such wrongs would be another source of enormous disorder. But we should not think of intervention solely in military terms. Intervention is a matter of degree. Actions can range from statements and limited economic measures to fullfledged invasions. Limited interventions and multilateral restrictions of sovereignty in egregious cases need not disrupt international order. On a larger scale, the Security Council can act under Chapter 7 of the UN Charter if it deter-mines that internal violence is likely

order will be slow and imperfect — too slow to avert many tragedies that will be caused by the new tribalism. But as the new administration strives to cope with these problems, it should realize that too simple an application of self-determina-tion could make things worse.

The writer is director of Harvard's Cen-Soviet Union have significant minorities, and many have disputed borders. In Afried this comment to The Washington Post.



### To Hell, Designer Polo Shirt and All

W ASHINGTON — Looking south toward Africa from the cornioris of Lady Metroland's London luncheon party, Lord Copper of the Megalopolitan Newspaper Corp. discovers just what he is looking for: "a very promising little war" in the nation of Ishmaelia. "A miwar in the nation of islantstella. A line crocosm as you might say of world dra-ma," he says. "We propose to give it fullest publicity." Later, engaging the re-doubtable William Boot to cover the war

for his newspaper, the Beast, Lord Cop-per elaborates upon his African mission: "What the British public wants first, last and all the time is News, Remember that the Patriots are in the right and are going to win. The Beast stands by them -square. But they must win quickly. The British public has no interest in a war which drags on indecisively. A few sharp victories, some conspicuous acts of bravery on the Patriot side, and a colorful entry into the capital. That is the Beast Policy for the war."

Thus it goes in the pages of "Scoop," Evelyn Wangh's classic comic novel about journalists set loose in the African wild, and thus it goes even now in Somalia, where against the background of human suffering too ghastly to contemplate the American press and the American military are dancing a minuet more farcical than anything even the inge-nious Mr. Wangh could have imagined. By the standards of both Lord Copper and the Pentagon, the military action in

and the Pentagon, the military action in Somalia is an absolutely perfect little war. It provides maximum opportunity for heroic posturing at minimum risk to life, limb or self-righteousness. It provides an enemy, if "enemy" is indeed the word, far more interested in murdering his own defenseless countrymen than in confronted not with hostile tire but with the blinding lights of television cameras.

By Jonathan Yardley

provoking America into serious military action. It provides ample opportunity for sharp victories and conspicuous acts of bravery, all conducive to colorful pictures. And it provides the ultimate in media satisfaction: the trappings of war without the actuality of war.

Small wonder the Pentagon leaped so eagerly into the fray. By contrast with the nettlesome complexities and ambiguities

#### MEANWHILE

Somewhere in the Pentagon there may be someone who sincerely believes the crisis in Somalia places demands on the Ameri-can conscience too great and argent to be ignored; everywhere in the Pentagon, people knew from the outset it offered what one television correspondent called the world's biggest photo opportunity."

So the military has played Somalia for all it's worth. In the annals of war comedy, a special niche must now be reserved for the pictures of U.S. Marines wading ashore at Mogadishu to find themselves confronted not with hostile fire but with Koppel, television's idea of an intellectu-al, found it "Felliniesque."

It does not seem to have occurred to these eminences that if the spectacle in Somalia looked like something out of a farce, it was precisely because they were on hand to make it so. Having dashed across the Atlantic in order to masquerade as working reporters, these 800pound gorillas of what we laughingly call journalism left the Pentagon little choice except to orchestrate a spectacle worthy of their presence. This the Penta-gon most enthusiastically did, though in the process it made matters unnecessari-

ly dicey for the marines. of Bosnia, Somalia is a cut-and-dried case of good against evil, a chance to continue the reconstruction of the Pentagon's image that has been under way since its monumental adventure in Grenada. themselves, as they strutted and preened across the East African landscape.

They recalled nothing so much as Eve-lyn Waugh's four French journalists, who come to Ishmaelia "dressed as though for the cinema camera in breeches, open shirts and brand new chocolate-colored riding boots cross-laced from top to bottom; each carried a bandolier of cartridges round his waist and a revolver-holster on his hip. Later, as the journalistic competition intensifies, "Everyone now emulated the Frenchmen: sombreros, dungarees, jodh-purs, sumproof shirts and bullet-proof waistcoats, holsters, bandoliers, Newmarket boots, cutlasses."

The costumes of the American journalisticos were rather less elaborate but not a scintilla less studied. Tom Brokaw ap-peared on NBC in a khaki shirt artfully opened nearly to the waist, revealing what gave every evidence of being a designer T-shirt; his hair was perhaps windblown, perhaps stylist-blown. Dan Rather too had opened his shirt - or maybe it was a jacket — to reveal a blue polo shirt. which by late in the week had itself opened to reveal an admirable expanse of hirsute chest. Mr. Rather chose the moment to describe what he chose to call, with characteristic felicity of phrase, his 'descent into hell."

All of which made for a smashing show, which in the minds of those chiefly responsible for producing it was exactly the desired result. The Pentagon, it is bruited about, was subjected to a friendly takeover by public-relations forces while the rest of us were distracted by the Gulf War. It now routinely hands out oak-leaf clusters and fuchsia hearts for valor above and beyond the call in media placement and similarly dangerous assignments. The degree to which pictures from Somalia now monopolize the television news exceeds even the most extravagant dreams of these specialists first-class in photo-op manipulation.

Irving Berlin was right: There's no

business like show business.

To be sure, it's just a wee bit, well, obscene when so many are dying. But a little inconvenience never before stood in the way of entertainment.

The Washington Post.

### LETTERS TO THE EDITOR

A Grass-Roots Insider

Late one hot, muggy evening in July, there was a flurry of excitement on an otherwise empty suffield in Little Rock, Arkansas: The newly nominated Demo-cratic candidate for president of the United States, Governor Bill Clinton, was returning home.

It was almost two hours past mid-night, and the governor was hours be-hind schedule. The time of his return had not been made public, so the small airport stood empty and silent save for the "advance team" and a handful of

I was a member of the latter group. Mr. Clinton returned often to his home base in Little Rock, so this would not be the first time I would receive a last-minute summons to the airport in the middle of the night, where our duties ranged from holding back reporters to unloading the plane.

My solace was that, as an acquaint-ance of Mr. Clinton, I had only to call out through the din of reporters a simple "Hi, Bill," and he would come over with a handshake and warm greetings.

None of us minded the midnight toil. It was rewarding enough just to be there, playing a part in the American political

process in our own small way. But there was another advantage. I was free to roam around the campaign's national headquarters, in a modest building in downtown Little Rock. A short tour gave one a sense of awe at the intricate organization involved in one of the most underestimated presidential campaigns in U.S. history. For one who has seen the inner work-

ings of this campaign, it is possible to feel sympathetic to Dan Quayle's election-night remark as he conceded defeat: "If Bill Clinton runs this country as well as he ran his campaign, we'll be all right." FRANK THURMOND. Oxford, England.

Opportunity for Many

After the U.S. elections, a rash of Hatred and Religion

articles appeared suggesting in one way or another that George Bush had been "bred" to be president, that he had grown up with this as his goal — the mitmation being that he belonged to a sort of American aristocratic political

Religion, which is supposed to elevate humankind to a higher level of conclass. But all children in America, at least from lower middle-class upward, grow up with the belief that they could sciousness and to promote brotherhood, in fact divides people.
Fellow Slavs in former Yugoslavia, sident - unless they belong to

one of the "wrong" minorities. JEFF EASTERSON. Perpignan, France.

Time for Logic in Vietnam

I don't quite understand America's continued isolation of Vietnam. The United States is losing out to the rest of the world in a big market. But more important, if there were thousands of Americans running around Vietnam, might they not find out faster about the servicemen missing in action than if nobody was there?

ED HERBST. Salvador, Brazil.

The destruction in India by Hindu extremists of a 600-year-old Muslim temple, and the lethal riots that have followed, have reinforced my feeling that all religions are bad.

Umpteenth Eco-Disaster

divided only by religion, are gouging each other's eyes out. Fellow Christians in Ireland, divided only by sect, are blowing one another up.

Arab Muslims hate Jews, and Jews

If humans have a biological need to

hate, I suggest that we generate a world-

hate Arabs. What does it all mean?

wide Hate-the-Martians movement.

When will the governments of the world have the basic sense to ban multimillion-gallon tankers? If oil were carried in convoys of small ships, any accident would be relatively minor. The increased transport cost would be offset by the avoidance of huge payments made in compensation after every major spill.

NESTA COMBER. Vence, France.

GENE DEITCH.

as silk.

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ROYAL ORCHID SERVICE.

CONSEQUENTLY, THE CHOOSING OF THE WINES ON OUR WINE LISTS BE-GINS HERE, IN THE GREAT VINE-YARDS OF FRANCE. SKILL AND EXPERIENCE ARE NEED-ED TO DISTINGUISH REALLY FINE VINTAGES FROM THE ALSO-RANS. AND THAT'S WHY THAI CALLS ON THE SERVICES OF A PRO-FESSIONAL PANEL OF EXPERTS

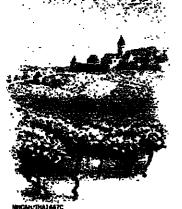
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By Sheridan Morley International Herald Tribune

ONDON — A joyous, brilliant and breathtaking production has raised "Carousel" (at the National, Lytelton) to the ranks of "Porgy and Bess" and "West Side Story" at the forefront of the classic Broadway musical. The production, by Nicholas Hytner and the late Kenneth MacMillan, has achieved this by putting the play back at the heart of the show, and thereby reclaiming it from the over-sentimentalized movie and decades

Carousel" is Ferenc Molnar's "Liliom" transported from Middle Europe to New England, and it has here been given a fine operatic and balletic rethink. Against Bob Crowley's cut-out settings, a dark and great masterpiece unfolds from the building of the carousel itself through to Billy's final climb back to Heaven, and it is dominated by the dazzling dances of MacMillan, his last monument, which start out as a tribute to the original choreography of Agnes de Mille and then time and again improve on that choreography, at least as it was immortalized by the movie.

True, Hytner has had problems in his central casting: neither Michael Hayden, years too young-seeming for Billy, nor Joanna Riding, remarkably wan as Julie, have the strength which is everywhere else apparent, from Patricia Routledge's clambake-celebrating old curmudgeon to Phil Daniel's wonderfully evil Jigger by way of Clive Rowe's splendidly black Mr. Snow. "Carousel" has taken so long to

revive because many thought, espe-cially in its Starkeeper scenes, that it was unrevivable. On the contrary, we now know what we have been missing these last 40 years, and how much greater "Carousel" is than any of the more familiar

Rodgers-Hammerstein scores.
At the Hampstead, Doug Lucie's "Grace" is nothing less than a occupy an old country estate pre-sided over by Anna Massey, who takes an instant and cynical dislike to their born-again preaching.

Massey perfectly represents the old landed liberal, up against the thrusting conservative capitalists of an on-stage presence which is still a the new religious transatlantic or- little hesitant. der, and "Grace" is in that sense an

gap and filled it with the Lord"). But like many of Lucie's earlier plays, "Grace" is also about what has happened to Britain under Thatcherism: none of the characters here emerges with very much credit, not even Massey, who is until the last willing to market a total fabrication if it will get the crumbling estate off her hands. In the end, doubt is all: as she says, anyone who thinks God is the answer must seriously have misunder-

stood the question. Like Wertenbaker's "Three Birds" at the Royal Court, "Grace" is that comparative rarity, an investigation not only into the price at which Britain is currently being sold but also into the cost, and it is brilliantly directed by Mike Bradwell, who lines up the residents against the invaders and then lets Massey and Laurenson slug out a battle for territorial as well as spiritual supremacy while their follow-

ers gently fall apart at the seams. Written in the 1890s but set back 30 years, Pinero's "Trelawny of the Wells" (at the Comedy) is the first great backstage play: it tells of the coming of the "new drama" of the destruction of the old mid-Victorian actor-managers, of the rise of the realist playwright Tom Robert-son, and of social barriers finally broken down between green room and drawing room.

It is also of course a love story, telling of Rose Trelawny and her ill-fated crossing of the tracks to marry the upmarket Arthur Gower, much to the horror of his vice-chancellor grandfather in Cavendish Square. As was established by gelists, led by the terrifyingly charismatic Reverend Hoffman (James Laurenson), arrives in Balance and to be a failed and to b West End debut.

She is however a curious choice. in that there already exist plans for the National to restage "Trelawny" in the spring with a nonsinger in the title role, and that there is a But the estate has supposedly in the spring with a nonsinger in the title role, and that there is a acle involving Massey's dead sister, superlative Julian Slade musical

emerge from the closets are about given us the chance to see both. As calls his own theatrical passion for the invaders as well as the landlady.

The production by Toby Robert-

One or two of the other players, notably Oliver Cotton as the radical dramatist and Margaret Courtenay and Peter Bayliss as the old

actor-managers on the way out, der, and "Grace" is in that sense an attack on the faith industry ("are they bonkers or just American?"), as well as on the notion that God can be successfully marketed by satellite ("We discovered a product successf



have suited her much better and Ronnie Moore and Stanslav Tchassov in a brilliant new production of "Carousel."

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### Brecker Brothers, Act II

By Mike Zwerin International Herald Tribune

ARIS - We live in the age of sequels. Welcome to the Brecker Brothers Part II.

Randy and Michael Brecker are pillars of bebop, hip-hop-jazz, rock, fusion, rhythm and blues, Latin, World Music and just about any popular music style you can mention. Both of them readily acmit that their new CD, "The Re-turn of the Brecker Brothers" (GRP), is too tightly structured and studio and rock oriented to be called a jazz album. They readily admit to not much else.

Interviews can either be infuriatingly superficial or an invigorating exchange of information. It takes two (or three) to tango. Investing a psychic minimum and then only when prodded, on the limit of sullen, the Breckers appear to relate to the press as adversary. Their record company representative told me they'd played even harder to get with the French journalists. Per-haps they've been asked too many dumb questions, it happens. I've been handed a lot of dumb an-swers. I am left with the impression of two guys ducking. Whatever the image, judging from a recent color-less Down Beat cover story, they are not in the habit of actively aiding in-depth portraits. What should have been a fugue was like a curriculum vitae recital.

Trumpeter Randy played with Al Kooper's original edition of the jazz-rock fusion pioneer Blood, Sweat and Tears, Janis Joplin, Horace Silver, Cheech and Chong, Art. Blakey and Jaco Pastonius's fabled Word of Mouth band. Michael came up with his broth-

er in a fusion group called Dreams and grew into an institution through solo stints with James Tay-lor, James Brown, Joni Mitchell, Steely Dan and Bruce Springsteen. He began to play the EWI (Electric Wind Instrument), a wind-driven synthesizer, with the high-powered electronic MIDI-interfaced group Steps Ahead. Last year he recorded and toured with Paul Simon's "Rhythm of the Saints" world mu-

They earned triple union scale as jack-of-all-trade studio sharks until the entire species was annihilated by computers. Gradually forced to concentrate on their own music, the fusion-fueled Brecker Brother band recorded six albums before disbanding in 1982 and reformed after a decade on hold.

You can estimate musicians' intelligence by their improvisations. Choice of notes, melodic inventiveness, use of silence and rhythmic complexity reveal a lot about mental capacity. Musically, the Breckers have both changed the landscape in their way. Verbally, however, they were only practicing arpeggios.

They reminded me of how superfluence of the landscape in the control of the landscape of t ous I'd felt when, early in my career, I interviewed Zoot Sims, one of my heros. I realized that the way he played, he didn't need to talk. Music was the way he expressed his intelli-

just not verbal. Judging by the music, Michael is the more lucid. He has in fact formed the generation of saxophonists which followed him (he is 43). Many young players today seem to believe that jazz history begins with Michael Brecker. At his best he can be one of the most complete and exciting tenormen around. His capabilities are impressively displayed on Pat Metheny's ECM album "80/81," which also features Dewey Redman on saxophone, drummer Jack DeJohnette and Charlie Haden, bass. A superior effort by fast company — worth a detour.

Randy, 47, would seem to be is a constant, a tension which also more of a technocrat. Qualified enough to be counted among the top of his profession, his trumpet surface, would like to look into it playing is nevertheless on the face-further and see where it takes him. less side. He could be any one of a



Michael Brecker, top, and Randy Brecker.

vis, Conte Candoli, Fats Navarro, leon who can shine under a variety Clifford Brown, Lee Morgan. His of colors. They are professional in many levels, but who is the person blowing the horn? Why is this man hiding? On-stage, he takes cover behind hats and dark glasses.

The new Brecker Brothers band (featuring Dennis Chambers, drums, and Mike Stern, guitar) will be touring on and off through the European summer festival season. In between and beyond, Randy is planning to go back into what he calls "my Brazilian mode" and to record some more jazz standards. Michael wants to explore new territory, to take time off to study of

West African bikutsi music. ASED on a churning 12/8 beat, bikutsi is being successfully exported from its native Cameroon by the African-punk group Les Tetes Brulees. Cameroomian bassist Armand Sabal-Lecco, who was on the Paul Simon tour and plays on a bikntsi-style track on the Brecker album, told Michael that there are more than 200 dialects in Cameroon, each with its own music. A basic tension of three against four permeates jazz. Michael, who says he's just beginning to scratch the surface, would like to look into it

And he'd like to play with Pat number of superior products of a Metheny again. Like the Breckers, basket of influences - Miles Da- Metheny is something of a chame-

chops are obviously superior on the hired-gun sense of the word. No, that's oversimplifying. Think-ing this through while listening to the GRP album (which is on the "contemporary" — a euphemism for commercial - jazz chart and rising), I thought of political cor notations. Like graduates of the Grandes Ecoles in France or career diplomats in the United States, they are capable of holding top positions under any administra-

One way or another, they always make you sit up and take nonce. But there is also the suspicion that they adapt to a variety of tendencies a smidgeon too easily, you wonder about commitment, they investigate rather than extend trends. They were in at the begin-ning of jazz-rock fusion, but John Mclaughlin, Miles and Weather Report all took it deeper. And now

they are back to it again.
"The fact that we are able to play
a lot of styles helps," says Randy. "It
isn't forced, it's part of our makeup. And the brother thing helps. People are naturally drawn to the family value thing. Subconsciously they
just like that aspect. We started together real young and listened to many different styles of music. It was a natural evolution. This band encompasses everything we've ever learned in one nutshell. So to

### Enchanting Edwige Feuillère

pany in Egypt.

ment one of Rip's witty revues.

By Thomas Quinn Curtiss International Perald Tribune

ARIS - Edwige Feuillère, monstre sacre of the French stage and screen, is delivering excerpts from her roles and recalling her experiences with authors and fellow players during her widespread career in an enchanting evening at the Thé-âtre de la Madeleine.

A great and beautiful actress, she has triumphed as the ideal Phèdre of Racine, the gorgeous Courtisane of "La Dame anx camelias," the tragic empress of Cocteau's "L'Aigle à deux têtes" and who could forget her cry of renewed courage when she thundered her defiance "Who mentioned the wheelchair?" in Tennessee Williams's "Sweet Bird of Youth."

in Madrid who shot himself for his betrayal of military secrets. Giraudoux selected Penillère for his play, "Sodom and Gomorrah," During its rehearsals she met a young beginner who had only a bit

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Erich von Stroheim play the Ger-

man general entranced by Richard

part, but his face and voice im-pressed her. She demanded that he a member of the chorus to ornabe promoted to play the archangel After graduating from the Conservatoire she entered the Comédie who announces the fate that will destroy the cities of the plains. His name was Gérard Philipe and sub-Française and toured with the comsequently they co-starred on a film version of Dostoyevsky's "Idiot."

The Hakim producers proposed that she star in a film about Marthe Jean-Louis Barrault persuaded Paul Claudel to allow him to stage Richard, the French secret service agent of World War I who allegedly his "Partage de midi." Fenillère impersonated Yse, drawn from a reported the information that resulted in the arrest and execution of woman who had caused the pious Mata Hari. Raymond Bernard, the director and its star insisted that

poet to commit adultery.
With all the glamor that she has bestowed on the theater Feuillère is a modest lady. Yet she has written an absorbing antobiography, "Ies Feux de la rampe" and an excellent biography of Clairon, the 18th-century French actress who - like her excelled as Phèdre and was Voltaire's favorite. She appeared in all his plays and had at the Comédie Française, as her partner, Lekain, the most celebrated actor of his

The mise-en-scene for "Edwige Feuillère en scène" by Jean-Luc Tardicu is exceptional. Feuillère is viewed at the opening on stage and her back to the audience as a plume on her 1890s hat flutters. Then she turns and comes forward in the grandiose old rags of the madwom-an of Chaillot, Her only companion is a tall, dark page, the deaf and dumb guide from Giraudoux's

When she speaks of her departed companions their faces appear on the curtains behind her. Coctean, Gérard Philipe, Pierre Brassen, Claudel, von Stroheim and Jean Marais.



# GERIVANYS NEW FEDERAL STATES Forging A Free Market Economy



SAXONY

Population: 4.8 million.
Area: 18,300 square kllometers (6,975 square miles).
Capital: Dresden (pop. 501,000).
Other major cities: Leipzig (pop. 510,000), Chemnitz (pop. 301,000).



THURING!

Population: 2.6 million. Area: 16,250 square kilometers. Capital: Erfurt (pop. 217,000).



Population: 2.6 million. Area: 29,000 square kilometers. Capital: Potsdam (pop. 140,000).

BERLIN Population: 3,3 million.

BRANDENBURG



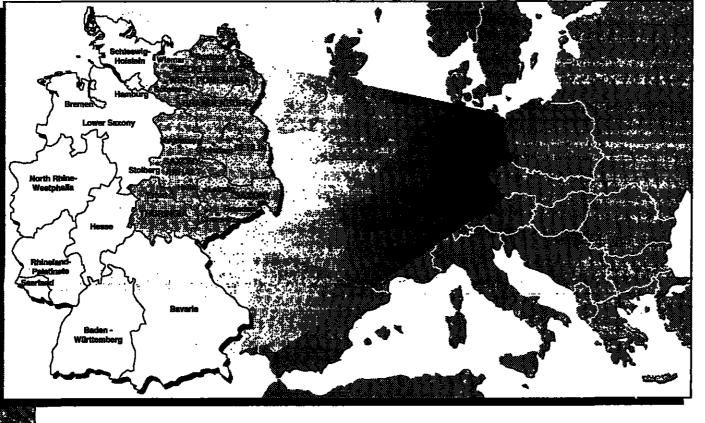
**SAXONY-ANHALT** 

Population: 2.96 million. Area: 20,445 square kilometers. Capital: Magdeburg (pop. 290,000). Other major city: Halle (pop. 321,000)



MECKLENBURG-WEST POMERANIA

Population: 1.95 million. Area: 23,835 square kilometers. Capital: Schwerin (pop. 130,000). Other major city: Rostock (pop. 250,000).



### 'THE PACE IS ACTUALLY GOING TO PICK UP IN 1993'

ürgen W. Möllemann, Germany's vice chancellor and federal minister for economic affairs, appraises the current state of German development in the following interview. A member of the Bundestag since 1972, he was appointed federal minister of education and science in 1987, a position he held until 1991.

Several business journals describe the current situation in Germany's new states as the beginning of the "era of consolidation" and the end of the "era of crash action." Would you agree with that description?

No and yes. No, because the rapidity associated with the term "crash action" is still very much a feature of the development of the new states. In fact, anywhere you look — the number of telephone connections, the companies founded or privatized, the kilometers of roads and ralls revamped, the factories commissioned — the pace is actually going to pick up still more in 1993. That is not surprising. Everything we have put in the pipeline during the first two-and-a-half years is coming on stream.

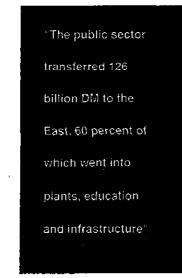
Yes, because the work of restructuring or setting up the institutions — state and local governments, companies, courts, schools — has largely been accomplished. These institutions now have a couple of years of experience under their belts. Now it is more a question of expanding, fine-tuning and seeing what still has to be done.

Recently, a number of major companies announced cutbacks on their capital projects in the new states. Are you still optimistic about investor interest in the region?

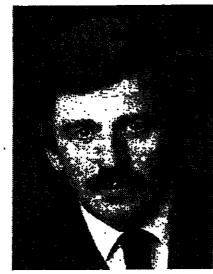
Dozens of press releases — many with ambitious plans for expansion, others announcing cutbacks — land on my desk every day. They run about three-to-one for expansion, at latest count. Announcements do not detail trends — the facts do. And the facts speak for an unprecedented transfer of capital to the new states. This year, the public sector transferred 126 billion Deutsche marks [\$79 billion] net to the East, up 18 percent over 1991. Sixty per-

cent of that 126 billion DM went into infrastructure, plants and education.

Even more pertinent is the commitment by the private sector. Companies have allocated 80 billion DM to the new states this year — that's up 60 percent over 1991. There are many more facts, including the nearly 30 billion DM that non-German companies have put into the new states and the several billion marks invested by local companies in their areas. And there are going to be many more announcements in the newspapers, good and bad. But to really determine what is going on, to appreciate how a transformation of this size occurs, you have to go to



where it is happening. You have to spend some time in Eisenach and Dresden and Leuna and Neubrandenburg and Potsdam and see the factories being built, the telephone booths and power lines going up.



Mr. Möllemann: "Public-sector support is strong."

In view of the slowdown in Germany's western states, are the economies in the

new states recession-proof?

The slowdown is not coming at an opportune time for either the old or the new states. After 10 years of solid growth, a slowdown was, of course, inevitable. However, a very large portion of the new states' gross domestic product comes directly and indirectly from the public sector. This strong support is set to stay at its present high levels over the next few years, long enough to see the region through any period of economic weakness in the West. In fact, the new states' GDP is forecast to grow by 4 percent in 1993.

You are part of the team presiding over a massive economic and social transformation. Did you ever have the hankering to step in and do some hands-on changing in.

for example, a company? As you may know, I am not a total amateur when it comes to business. Before getting into politics, I owned a public-relations agency. I liked the work and found it satisfying. What strikes me about the last two-and-a-half years since unification is how much we've been learning - people in the old states, in the new states, businesspeople, engineers, even politicians about how things and systems are to be changed. And this change comes about, of course, through the relating of new ideas and techniques and the comparing of expenences, I see a chailenga thate, something to be pursued in the new states. That type of activity would interest me very

## MASSIVE INVESTMENTS IN PEOPLE AND INDUSTRY BEGIN TO PAY OFF

ctober 1992 marked the beginning of Year Three in the lives of Germany's new states. Despire the recession in the Viest, investment in the new states continues to gather steam, and the returns from the first two years' endeavors are manifesting themselves in positive economic statistics.

In a cautiously promising year for Germany's new states, October kicked off a very good quarter. At the beginning of the month, it was revealed that total domestic orders received by the manufacturing sector in the new states jumped 13.5 percent in September, with non-German orders rising 26 percent. Shortly thereafter, Germany's panel of leading economists — the "five wise men" — announced that the gross national product of the new states was on course to grow by 7 percent for

A week later, a poll conducted by the Deutsche Industrie-und-Handelstag (the German tederation of industry and trade) revealed that, notwithstanding the recession in the West, three-quarters of the companies active in the region planned neither to curtail their capital investments nor to lay off workers, with 36 percent actually planning to expand productive capacity and 20 percent to add on employ-

ees.

Eighty percent of all companies surveyed graded business as being satisfactory or better.

Most encouragingly, both the rates of unemployment and underemployment had fallen substantially in September, indicating that the service and trades sectors' job-creating machines were beginning to show results.

Figures from Germany's new states are both highly volatile and only partially reliable. October's statistics, however, were corroborated by subsequent reports. The net number of companies founded in the region has continued to grow strongly: Between 8,000 to 10,000 new companies are created each month. With 110 billion Deutsche marks (\$69 billion), the region's share of national capital investment for all of 1992 has amounted to nearly 26 percent, almost twice 1991's figure. The Bundesbank released figures showing that net worth per capita in the new states had risen 50 percent over the past two-and-ahalf years. October's rate of inflation was 3 percent (as calculated on an annual basis), sharply down from September's 13 percent.

All this cheering news does not mean that the wrenching, expensive processes of social, economic and political transformation are heading toward their final phases, nor does it mean that all regions, social segments and business sectors are profiting evenly from this upswing. Further, it does not indicate that this multibillion-Deutsche-mark project is effortlessly unfolding according to a minutely calibrated timetable. Miscalculations have been made in abundance, not all officials have proven themselves equal to their new responsibilities, and a good sprinkling of get-

rich-quick "cowboys" have abused investment support and other business-incentive funds

What the statistics do indicate is the end of the "crunch era," in which old systems were being dismantled or falling apart and the new ones were being installed. They also show that during this phase, by and large, the new states' residents have even prospered somewhat.

One indicator: After initial astronomical hikes in 1990 and 1991, the number of people vacationing outside of Germany has increased a further 25 percent this year.

During the past two-and-a-half years, despite the need to compensate for factories closing and to fill empty municipal coffers, an unprecedented 60 percent of all funds allocated to the new states has

Germany's leading
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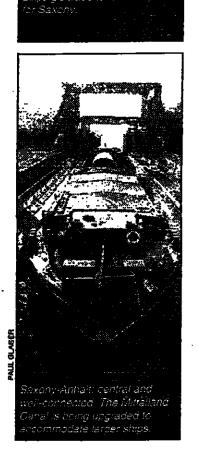
gone to their future: roads, education programs, electricity lines and manufacturing facilities.

The private sector has invested 30 billion DM in the region, with another 130 billion DM set to follow. That figure, of course, will be influenced by the speed of the economic recovery in the West.

To present-day Germany, beset by economic and social worries, autumn 1992's figures tell a simple, heartening story: This massive investment in the new states' human and physical capital is starting to pay off.

One beneficiary will be the German federal government itself. According to Cologne's authoritative institut der deutschen Wirtschaft (Institute of the German Economy), tax receipts from the new tederal states are expected to grow by 16 percent in 1993.

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. • It was written by Terry Swartzberg, a Munich-based free-lance writer, and sponsored by the Bundesministerium für Wirtschaft (Federal Ministry of Economics).



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#### **ADVERTISING SECTION**

### AN EFFECTIVE EDUCATION

There are two parts to Germany's widely admired dual-education system: vocational schools, where young trainees learn occupational skills, and companies, where they but them into practice.

Both parts of the dual-education system were missing in the new states only two-and-a-half years ago, the former East Germany's vocational-training system was structured in an entirely different way. The fact that 108,000 young people in the new states (some 95 percent of all those expressing an interest in the system) are currently enrolled in the region's dualeducation system must be regarded as a major triumph. Mechanics and electricians are tavorite future professions for young men, while young women express a preference for sales and office profes-

Not that standard, academic education is being neglected in the East. While most high schools were undergoing a painful reorienting process of re-evaluating staff members and selecting new curricula and textbooks, the students themselves have proven to be highly adaptable.

The education industry has recently embarked on a second phase of growth. The sudden surge in demand for classrooms and teachers in 1990 and 1991 produced a number of unscrupulous, short-lived "management schools" and "technology-training centers." State authorities then instituted strict accreditation and supervising procedures.

Today, the growth leaders bear the names ATIS and TINA. At the region's innovation and technology-transfer centers, there are neither teachers nor students, only senior and graduate researchers. Progress is measured in patents received, not grades.

The 13 existing centers have been so successful that, according to the German business weekly Wirtschaftswoche, some 23 more are set to be founded. There is no shortage of researchers to staff them Some 85,000 scientists and technicians were employed in the former East Germany's laboratories and test centers.

#### CRACKING DOWN ON VIOLENCE

Cities, states and the German federal government have launched tar-reaching measures to halt further outbreaks of right-wing violence. Meanwhile, a parallel series of economic and cultural initiatives has been launched to build on the region's tradition of tolerance and neace.

It has not been a good year for nonviolence and civil peace. A riot laid waste to part of Los Angeles; ethnic wars have been tearing aparl Yugoslavia, Afghanistan and dozens of other countries. In Europe, small groups of fascists and neo-Nazis have launched attacks against foreign minorities, whether these minorities be North Africans in France, African peddlers in Italy, or Gypsies and Vietnamese seeking asylum and Turks living in Germany.

Because of its past, Germany is the object of special concern. The country's present and future very much depend on the progress recorded by its new states, and it is there that some of the worst incidents have taken place.

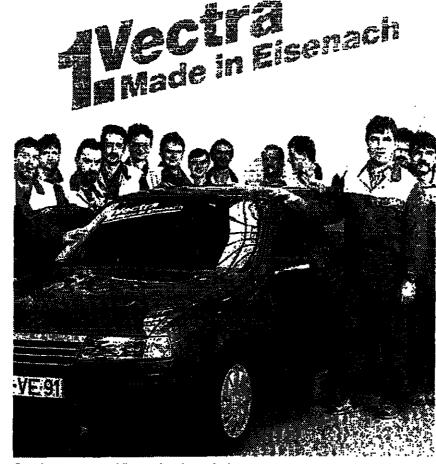
These are the same states and the same people that staged the world's first truly nonviolent revolution only three years ago, and these same states have been welcoming hundreds of thousands of Poles and Czechs, commuters and shoppers, each day since then, with only a few incidents. If the willingness to spend one's vacation or get one's automobile fixed or hold one's wedding banquet in a neighboring country is an indicator of tolerance, then a vast majority of the new states' residents must be considered kenophiles.

This is, of course, not the time for categorizing populations or investigating causes. Urgent, determined action is needed, and Federal Minister of the Interior Rudolf Seiters and his state and local colleagues are acting.

are acting.

At the end of November, membership in a number of neo-Nazi organizations was declared a crime. Marches by right-wing extremists have been routinely barned throughout the country since mid-October. In making this ban stick, local authorities have availed themselves of beefed-up police forces and stricter sentencing practices. To forestall future incidents, police have been systematically raiding suspected centers of "right-wing terror" throughout the country.

Germany's President Richard von Weizsäcker, put it very simply: "This state will protect the foreigners in its midst."



Opel factory: Automobiles anchor the region's economy.

### THE MULTIPLIER EFFECT IN THE AUTOMOBILE INDUSTRY

y 1995, if all goes according to plan, 500,000 automobiles will be produced each year in Germany's new federal states, according to VDA, Germany's automobile industry federation. These automobiles represent the vanguard of a "born-again" automotive engineering sector in the region.

The automotive engineering sector in the eastern part of the country includes heavy-duty trucks from Gotha, motorcycles from Zschopau and state-of-the-art components from all over the region. The 10 billion Deutsche marks (\$6 billion) set to be invested in the automotive sector of Germany's new states over the next three years is a European record.

There were beaming faces all around in Eisenach on Sept. 23, 1992. Chancellor Heimut Kohl, who cut the ribbon at Opel's new facility, pointed out that 3,000 jobs were produced (directly and indirectly) by the 1 billion DM investment. Opel executives were witnessing the final step of a high-stakes project started 10 months before German unification.

Some two dozen Eisenach-based suppliers, ranging from a subsidiary of the Lear Seating Corp. (Southfield, Michigan) to a local engineers' office, watched in satisfaction as the first of what is to be 150,000 meal tickets a year rolled off the assembly line. For city fathers, Opel's factory meant the welcome end of the Wartburg era, in which Eisenach was synonymous with the manufacturing of East Germany's top-of-the-line automobile.

In March 1992, after a lapse of nearly five decades, BMW resumed operations in Ersenach, but this time, not as a manufacturer of 1929's "Dixi" or 1992's "7" senes, but rather as a components producer. BMW's factory supplies machine tools and pressed-metal parts to both company factories and third parties. Eisenach reaps 120 million DM in investment and 120 highly skilled jobs.

BMW is part of what economists like to

call the multiplier effect: Each Deutsche mark invested or job created by an automobile manufacturer produces between four to eight others for national economies because of the decentralized nature of the automobile industry. Nowadays, in-factory manufacturing input accounts for only 20 percent to 50 percent of an automobile's total value. The rest is supplied by components manufacturers and service providers, which are themselves consumers of parts, machines and services. Another corollary: the better the local transport and telecommunication links, the greater the multiplier's effect on local communities.

VW's new automobile factory in Mosel, just outside the small Saxon city of Zwickau, is a case in point. Responsible for two-thirds of the company's 4.6 billion DM investment in Germany's eastern states and originally set to manufacture 250,000 Golf Ills a year, the new factory will be supplied by 40 components manufacturers — including such well-known names as VDO, Benteler and Britain's GKN — located within 50 kilometers of the plant. Thanks to their ability to assure "ultra-lean" delivery times by using newly built and upgraded roads and rall lines, VW Mosel's manufacturing input will amount to

only 26 percent.

The result: a multiplier of between five and seven, depending on how it is calculated. In the new states, some 35,000 persons will be working directly and indirectly for VW in manufacturing, sales and component manufacturing by 1994. Another 11,000 persons, employed by 76 local components manufacturers, will build parts for VW on a nonexclusive basis.

### PIONEER DAYS ARE OVER FOR FINANCIAL SECTOR

he financial sector in Germany's new states has thrived from the very start. Today, according to the Bundesbank, a region-wide network of banks manages 171.4 billion Deutsche marks (\$107 billion) in funds, of which 161 billion DM stern from the new states' companies and consumers.

At a price of 3 billion DM, Deutsche Bank has purchased (or rented), staffed and equipped 330 offices in Germany's new states. There are now 181 communally owned *Sparkassen* (savings banks) blanketing the five states and East Berlin.

"Money palaces in the inner city" read the headline of a recent architectural critique in the "Suddeutsche Zeitung" The subject was the aesthetic merits of the glearning public-sector bank headquarters springing up in the new states' capital office.

Over the last two-and-a-half years, there has been one constant in the region's financial-services sector: the relatively large amount of money the new states' residents had to save — and their willingness to do so.

This thriftiness had historical roots. For lack of attractive consumer goods and travel destinations, East Germans were big savers. With the advent of the economic union between the two halves of Germany, well more than 100 billion (East German) marks became 120 billion DM – the starting capital for the new financial sector.

up capital for the new financial sector.
Today, residents in the new states save 12 percent of their incomes, as opposed to 13 percent in the West. Thanks to transfer payments from the West and strong, sett-generated economic growth – and after

allowing for a 13-percent rate of annual inflation — these incomes have grown by 40 percent per capita, with pensioners recording a 75-percent rise in income. All told, living standards in the five new states have improved considerably.

Much of this collective financial power has been "recycled" by the region's banks. Nearly all of the 92 billion DM outstanding in loans made by the region's banks has gone to its private sector, in the form of "seed" capital for new companies and consumer credit.

While the private banks have been rapidly expanding their networks — by the end of 1993, 47 banking groups will have over 1,000 bank offices employing more than 20,000 persons — it is the brokerage houses that have been recording the greatest increases.

In a geometric increase over the past two-and-a-half years, there are now an estimated 600,000 people in the new states who own stocks and bonds. Their holdings are worth well over 10 billion DM.

The Sparkassen and other public-sector banks have kept pace with their private counterparts' growth. The Sparkassen's impact on the new states has been considerable, especially in the all-important housing sector. In 1991 alone, these savings banks authorized mortgages worth 29 million DM to homeowners.

### INVESTMENT INCENTIVES BOOST PRIVATE SECTOR

ince 1990, private-sector investors in Germany's five new states and in East Berlin have received 63 billion Deutsche marks (\$39 billion) in support from the German federal government alone (as of June 30, 1992). More than 13.3 billion DM of that has gone to start up new companies.

Other sources of private-sector resources are portions of the 6 billion DM the European Community has allocated to the country's new states, as well as the 140 billion DM the Treuhand has spent on revamping its 14,000 companies.

Ninety thousand of the 530,000 companies constituting the region's private sector were founded during the first nine months of the year. Two cheering statistics: Women head about 35 percent of the region's "young" companies; on an average, each new company has generated an additional five jobs, up from 4.4 only nine months ago.

ago.
Also included in the private sector are 65,000 doctors, dentists, architects, veterinarians, pharmacists and other self-employed professionals now practicing in the new states and East Berlin — up nearly 50,000 over the 1989 figure. More than half of these new companies and professionals made use of the following investment-support instrumentalities to set up their factories, workshops and offices:

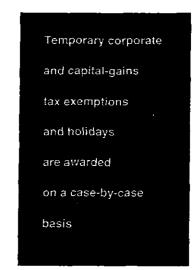
For greenfield projects:

• Investment subsidies amounting to a maximum of 23 percent of total project value may be drawn upon. Eligible for this type of funding are buildings and other facilities; excluded is property. Nonresident investors may also avail themselves of grants defraying up to 8 percent of the purchase price of machines and other capital stock; for local residents, the amount has been raised to 20 percent. Excluded from this item are automobiles or airplanes.

 Special depreciation credits: These are reckoned at 50 percent of net project value (after deducting investment-support funds), spread over five years and supplementing regular depreciation schedules.

 Temporary corporate and capitalgains tax exemptions and holidays are awarded on a case-by-case basis.

 Investors also benefit from regional and local grants for site demarcation and improvement, and for the construction of



water- and power-supply lines, sewagetreatment systems, roads and other kinds of infrastructure creation and improvement projects.

For purchasers of Treuhandanstalt com-

Investment reorganization and expan-

sion support comes to a maximum of 15 percent (in some cases, 20 percent) of the purchase price. This grant cannot be applied to the purchase itself. Purchasers can negotiate releases from liability for the company's old debts and environmental practices. Other measures are the same as above.

For new companies:

● Newly founded companies can avail themselves of the greenfield instrumentalities listed above. Two special programs also provide these companies with long-term, low-interest, unsecured loans of up to 1 million DM each. Loans made by the fledgling company's "Hausbank" and financed by the public-sector Deutsche Ausgleichsbank go to outfit the company with equity capital; credits from the European Recovery Program are applied to building, acquiring, equipping and expanding facilities and property, as well as to environmental-protection systems.

nies:

• Germany's public-sector Kreditanstalt für Wiederaufbau (KfW) also provides low-interest, long-term, deferred repayment loans of up to 10 million DM for companies whose annual turnovers do not exceed 1 billion DM (exceptions are made

For all small and medium-sized compa-

million DM or less).

• All these loans feature low self-financing ratios (maximum: 40 percent) and high degrees of financial coverage: up to three-quarters of a company's total invest-

for companies with annual sales of 100

ment needs.

• An important rule of thumb: the smaller the company and the more "valuable" its area of activities, the more flexible the loan guidelines. An example: the upper limit of ERP eligibility is 500 million DM for companies active in environmental protec-

tion - 10 times higher than the program's

normal ceiling. For all companies:

• Many companies in Germany's new states are not "credit-worthy," as they have neither adequate collateral nor proven products. The country's "Burgschaltsbanken" (guaranty banks) provide surety for loans of up to 20 million DM and beyond. Companies setting up new jobs or vocational training programs can avail themselves of a wide range of funds, as can enterprises in the agricultural, tourist and high-tech sectors.

#### Non-German Investors Are Very Much at Home

y now, Alan Phillips, Barry Hylton-Davies and their colleagues know Spremberg, Königsee, Maltitz and Wernigerode very well.

These expatriate executives have learned where to find these communities on a road map, which perhaps 90 percent of all Germans would have difficulty accomplishing.

These foreign executives have struck up a deep and practical Intimacy with the communities' gas and water lines, grocery stores and landfill sites. In flawless or shaky German, they have worked out the nuts-and-bolts details with mayors, planning commissions and utility executives in Germany's new states involved in building clay-processing factories worth several hundred thousand Deutsche marks and chemical plants worth several billion.

Non-German companies from 31 countries have committed themselves to investing 14.7 billion Deutsche marks (\$9.2 billion) in Treuhandanstalt companies. Treuhand president Birgit Breuel points out, however, that this figure is both out of date and woefully incomplete. The figure does not cover "greenfield investments" in the eastern part of the country or those investments made via the TLG, the Treuhand's real-estate subsidiary. It refers only to initial investments, not to further, followup ones. Additionally, only direct investments in the new states from abroad are included. Missing, for instance, are IBM Deutschland's investments in the new states. Finally, a sale is only counted by the Treuhand when all contracts have been signed, approved and notarized.

Actual non-German Investment should be approaching 25 billion DM, maintaining its traditional 13-percent share of total investment in the eastern part of the country. Confirmation comes from the "national" totals compiled by the Dutch and Belgian chambers of commerce in Germany, which show investment at levels 50 percent to 90 percent higher than the Treuhand's figures for their particular countries.

More impressive than the figures' scale is the scope and depth of activity associated with them. According to the latest count, 14 major non-German companies and non-German-led consortia are now providing water, gas and other "public goods" in the eastern part of Germany. British Gas Deutschland, Mr. Phillips' employer, for instance, is active as an investor, holding stakes in three natural-gassupply companies. The company also serves as a technical contractor for the installation and renovation of natural-gas systems throughout the region and as a project manager for an innovative kind of neighborhood heating system being introduced in Thuringia.

Through nearly 100 newly founded and acquired subsidiaries, 31 non-German companies are building roads, bridges and overpasses, stringing electricity lines and conducting water, air and site audits in the region. Mr. Hylton-Davies has managed British-based John Mowlem's expansion into the new states. The company's subsidiaries acquired from the Treuhand are now active in everything from revamp-

ing water-supply systems to building high-rises.

Foreign-investor interest ranges from the gritty (a Turkish company's takeover of a slaughterhouse in Falkensee) to the glamorous (a billion-mark purchase, led by the Compagnie Generale des Eaux, of the DEFA film studios). The investor mix includes low-tech undertakings (a Swiss corset factory acquired a counterpart in Saxony-Anhalt); high-tech ones (American integrated circuit manufacturer LSI Logic's new facilities in Thuringla); and state-of-the-market ventures (Samsung's production of color televisions in East Berlin). Office and commercial parks, shopping centers and other staples of highflying international capital are also well represented. The largest include the development of the Friedrichstadt passage area (Tishman Speyer, Galeries Lafavette. Bouygues) in East Berlin and Horsham's business park in Brandenburg. But it is in such disparate cities as Scharfenstein, Leuna and Rostock that both the need for and the impact of the "foreign billions" become starkly apparent.

based consortium vehicle is the East German Investment Trust, a London-based venture fund. With 19 equity stakes and 142 million DM in commitments and funds. EGIT is the largest supplier of venture capital in Germany's new states. Other participants in Foron include the Kuwait Foreign Trading Contracting and Investment Company.

Lost in the hubbub about the market possibilities for the new refrigerator (20,000 units have already been ordered) and EGIT's swath of innovative investments was the fact that, as part of the deal, 950 jobs were saved — 450 alone at Waschgerate GmbH Schwarzenberg i.L., a manufacturer of washing machines included in the dkk package.

...

That was the salient point for the residents of Scharlenstein and Schwarzenberg. The jobs — and Treuhand-organized work programs for 1,000 more people — represent economic survival for their two little towns in southwestern Saxony.

Although the effect of foreign Investors' actions is highly commendable, altruism is not part of the mix of motives Impelling them to play "community-savers." Unimpeded access to the European Community's single market brought OMV, Austna's state-owned petroleum and chemical processor, to set up shop in Leuna, which is located in the southeastern corner of Saxony-Anhalt. A few kilometers down the road in Halte, a rare chance to get a jump on its West German competitors ted Thames Water PLC to acquire a whole series of water-service companies, thus securing nearly 1,000 jobs.

Sometimes a purchase results from the German government's determination to preserve a region's economic base — and its willingness to allocate the funds to do so. The Warnow shipyards in Rostock were the center of the new states' ship-



The investment act: France's Compagnie Générale des Eaux bought Berlin's DEFA film studios.

On Nov. 24, 1992, the world's newspapers reported a story with a last-minute reprieve and a happy end. A buyer had been found for dkk Schartenstein GmbH i.L., the struggling appliance producer, assuring that the world's first "eco-refrigerator" would be produced. This revolutionary product dispenses with freon and other ozone-depleting CFCs, it had been developed with the midwifery of Greenpeace, which provided dkk with the initial design, and the Treuhand, which kept dkk affoat until a buyer could be found.

For 112 million DM in cash and investment commitments, Foron Unternehmungsbeteiligungen GmbH became dikk's new owner Lead company in this Berlin-

building industry and the anchor of the entire region. As an allegedly nonviable competitor in an industry facing a satisfied market. Rostock and its shipyards were being routinely described as a "coming industrial wasteland" by Germany's business magazines.

To make the Warnow shipyards an attractive partner, the Treuhand assumed the company's old debts, outfitted it with working capital and provided participation plans insuring Kvaemer, the purchaser, against undue losses or interest costs. Total funding was about 2.7 billion DM. Result: "An area of hope" is how Capital magazine recently described the Rostock

#### REALTY PROJECTS FLOURISH IN LEIPZIG

he demand for and the supply of large-scale commercial developments located on city peripheries are at an all-time high in Germany's new federal states. Even more sought after is innercity real estate, but this often involves overcoming hundreds of restitution claims.

A new law is untangling the skeins of restitution claims, and new ownership and financing models may unblock the clogged residential property sector.

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One of early November's most newsworthy stories was missed by much of the world's press, who were busy reporting on the projected cancellation of a 200 million Deutsche mark (\$125 million) truck factory. Over the next 10 years, in a 3.5 billion DM investment financed by Munich's Bayerische Hypothekenbank, a new community will come into being some 14 kilometers (9 miles) west of Leipzig. Grosskugel, named after a village in the vicinity, will Integrate both commercial and residential use, ecology and infrastructure; its 1,45 million square meters will house 8,000 inhabitants and companies employing 7,000

Perhaps the newspapers had simply grown tired of reporting on what was the 41st major real-estate development in Leipzig, a city of some 500,000 residents. Other developments include the Saalepark, set to be Germany's largest shooping mail; the Leipzig-Wahren logistics center (4 million square meters); the Weidenweg business park (4.2 million square meters); the MDZ (2.1 million square meters, including technology and media centers and a four-star hotel); and Mockau-Seehausen, whose 3 million square meters will house the city's new trade-fair grounds, a central distribution facility for Quelle (Germany's largest mall-order retailer), as well as several hotels, shopping centers and office complexes.

Does all this add up to a boom in Leipzig? As Leipzig is widely regarded as a microcosm of the new states as a whole, the question is of vital importance.

The answer is: not yet, and certainly not in every real-estate sector, according to Douglas Holoch of Jones Lang Wootton,

the international real-estate company. He points out that it will take time for all these projects to be approved and realized. During the next year, some 85,000 square meters of commercial space will be let, enough to satisfy pent-up demand - Leipzig has only one-tenth the office space of comparable West German cities. This new space will suffice to introduce reality into what had been a scarcity-driven, overblown market, in the opinion of Dieter

Deissler, head of JLW's Leipzig office. After 1995, in a novelty for the eastern part of Germany, there may very well be an overabundance of space, creating a buy-

During the next year, some 85,000 square meters of commercial space will be let. enough to satisfy pent-up demand

ers' market and a shakedown between viable developments - those with good transport links and central locations and less viable ones. How large the supply of business-park real estate can get is shown by the neighboring state of Brandenburg. At latest count (not including single-owner developments), 880 busi-

ness parks with a total area of 95 million souare meters had been registered with governmental authorities. Of those parks, 339 with a total area of 84.3 million square meters had received Initial approval.

One hope, according to Angermann, one of Germany's leading realtors, is that the new supply of commercial real estate will relieve the chronically depressed residential market. At the moment, for lack of suitable space, many of the city's prime villas and apartment complexes are being used for offices. Many of the new developments come equipped with residential

Aside from that, only the new ownership and finance models proposed by Federal Finance Minister Theo Waigel and other leaders offer any hope of revitalizing this market, in which the number of living units (apartments and houses) started is currently running slightly below 1990 levels.

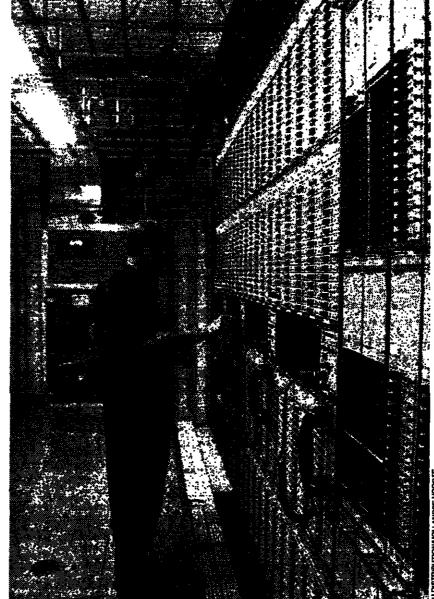
Although higher than they were before unification, rents are still too low to provide Investors with much incentive to purchase Leiozia's 260,000 apartments, two-thirds of which require urgent, massive renovation after four decades of neglect. One plan is to let occupants, high in motivation and very short on cash, acquire their own units through a combination of long-term loans and sweat equity.

As the sudden flood of projects would indicate, a way has been found to deal with restitution claims, which once hamstrung both the real-estate market in both Leipzig and in Germany's new states as a whole.

It is not that the restitution problem has gone away: Only 8 percent of the 1.7 million claims for the return of property or buildings have been processed. Prime properties in Berlin and Dresden are attached with up to 800 claims. But thanks to Paragraph 3a and its successors (currently Paragraph 3, Article 6 of July 1992's law granting precedence to investment), a restitution claim does not necessarily hinder

The paragraph, first incorporated into Germany's property rights law in March 1991 and successively beefed up after that, is simple in its thrust. A project is granted "right of way" over restitution if the project will provide greater benefit (in terms of jobs created or amount invested) than the return of a property to its original owner would. In such cases, the original owner receives cash compensation.

Key to Lelpzig's situation is a little-noticed item in the July 1992 law. Project developers can petition to have all restitution claims bundled together and processed in a single hearing.



State-of-the-art telecommunications place the region on line with the world.

#### **ECONOMIC CHANGE** STARTS WITH EDUCATION

or the rest of the world, economic change on an unprecedented scale is the lead story from Germany's new federal states. Hundreds of billions of Deutsche marks are being used to transform an entire society and to provide a livelihood for 16 million people in the eastern part of the country.

For those 16 million people, the lead story has been taking place in classrooms many classrooms. Never before has such a high percentage of a working population been undergoing further occupational education or vocational training at the same time.

It is not necessarily an altruistic love of higher learning that is leading the region's residents to education. To Improve their qualifications and skills, 25 percent of the region's entire working force - or over 2 million people - have participated in occupational training programs in 1992, according to Cologne's Institut der Deutschen Wirtschaft (Institute of the German Economy). Over the past two-and-a-half years, an estimated 60 percent of the work force has taken part in such programs.

For 490,000 persons in the new states, full-time occupational training programs are currently substituting for gainful employment. The programs' curricula include computer programming, banking or technical marketing (a German specialty), as well as such modern skills as doing one's own taxes and English.

Charles E. Brown, a Berlin-based American teacher of English, describes his adult students as "to a very large extent, very conscientious and even demanding." Mr. Brown has taught in occupational training programs held in Schwedt, an industrial city on the Polish border.

Of course, occupational opportunity and economic necessity are by no means the only motives inducing the region's residents to study. Higher education was a preserve of the politically correct in East Germany, and several hundred thousand people are taking advantage of their new intellectual and political freedom by enrolling in universities and Gymnasien, or secondary schools that prepare students for

All told, a whopping 38 percent of all those between the ages of 19 and 64 living in the eastern part of Germany are currently attending some form of educational pro-

#### LINKS TO THE CENTER: **MAGDEBURG** RENEWS ROLE

In 1991 and 1992, Germany spent nearly 30 billion Deutsche marks (\$1.9 billion) on bringing the transport infrastructure in its new states up to Western levels. Over the next 20 years, some 160 billion DM and 52 major projects will fol-

For cities such as Magdeburg, the most dramatic improvement in its rall, road and water links has already occurred. It was free and came (literally) overnight.

On paper, Magdeburg - now the capital of the state of Saxony Anhalt - was always centrally located. It was on the country's two main east-west rail and road connections, running from Berlin to Hannover. The Elbe river, one of Germany's great freight arteries, connected this city of 288,000 inhabitants to Hamburg and the North Sea: the Mittelland canal Ilnked Madgeburg to the Rhine and Ruhr industrial areas.

Of course, in the days before November 1989, these connections did not do the city's residents or their economy much good.

The most Immediate consequence of the tearing down of the Berlin Wall was an influx of traffic to, from and throughout the region, restoring centrality to Magdeburg and other "frontline" cities, initially, this influx was made up of sightseers. Today, 500,000 people commute every day from Saxony-Anhalt and other new states to jobs in the west. Automobile ownership in Germany's new states has risen 60 percent over the past two-anda-half years: automobile use, by twice that amount.

While the residents of the new states head west, tourists and business executives head east; collectively, the new states have become the favorite destination of West Germans. The roads all these people are traveling on are being systematically widened and upgraded. In 1991, 450 kilometers of the region's 3,700 kilometers of autobahn were completely redone, with a total of 1,700 kilometers undergoing some form of improvement.

Traffic jams are often the result. German traffic planners have allocated two-thirds of all transport funds devoted to the new states over the cast two years to revamping the region's 1,000 kilometers of rail track, purchasing new rolling stock and refurbishing stations. Over the long term, 57 percent of funds will go to the region's rail system. The goal is to more than double the percentage of people and goods transported by rail from 19 percent to 40 percent by the end of the 20-year period.

Fitting the envisioned 12 new or rerouted rail lines, 37 highways, two waterways and at least one airport into a 20-year period is itself a major accomplishment. Throughout the world, infrastructure planning and building is a tortuous, lengthy process; in Germany, throughput times of 24 years are not uncommon. For its new states, Germany has adopted a number of administrative procedures that greatly speed up the



Filling depleted mines in Saxony: The environmental cleanup is a bottom-to-top affair.

### TYING ECONOMIC CHANGE

As any resident in or visitor to the new states in late 1990 and early 1991 can attest, the eastern part of Germany had immediate, serious environmental problems. The air was chokingly bad, the water undrinkable, and the rivers were often unimaginably polluted. There was a problem with toxic waste - how large it was and how many thousands of sites were involved, no one knew.

These days, the air is good in East Berlin, Halle and Dresden - or at least as good as it is in West Berlin, Paris, Barcelona and any other major city on this automobile- and industry-ridden planet. The amount of suffur dioxide and nitric oxide in the region's air has been halved. You can fish in the Elbe River these days, although you would not want to swim in it. Some 60,000 waste sites have been catalogued. The 1,200 "hot spots" are being cleaned

Over the past two-and-a-half years, 8.5 billion Deutsche marks (\$5.3 billion) have been spent by the German federal government and the European Community on 1,850 projects: installing sewage systems, new water lines and exhaust filters. The amount of additional outlays by regional and community authorities and the private sector are unknown, but they are estimated to be at a similar level.

The development area on the outskirts of Berlin features excellent transportation links to Leipzig, Chernnitz, Dresden, Magdeburg

The sudden, unexpected collapse of East European markets caused a drastic drop in orders received by the new states' manufacturers. Modern producers - including those in the automobile and telecommunications sectors - have overcome the slump and found new markets, recording double-digit rates of growth. In a display of economic Darwinism, the slump speeded up the phasing out of the "prime polluters" - massive, older plants.

The impact was immediate. The smokestacks and the sewage pipes stopped belching pollutants; air and water quality improved dramatically. Some of the East German government's "environmental desecrations" (in the words of "Der Spiegel"), however are of a scale requiring generations and billions of marks to amellorate. Examples include the uranium mines at Wismut, Saxony (budgeted to receive 4.5 billion DM in federal funds) and the strip coal mines in southeastern Brandenburg, northern Saxony and eastern Thuringia. The full dimensions of the Soviet despoilment of their 1,000-odd military sites in the region are only now becoming

eastern part of Germany have found gainful employment each year in governmentfinanced environmental cleanup pro-

Saxony Anhait's "chemical triangle" formed by the cities of Bitterfeld, Halle and Merseburg - had both a reputation for being "Europe's dirtiest area" and for having a highly skilled and motivated work force and a central location. It was imperative to shut down the existing plants, and it was just as imperative to find a livelihood for the entire region. Thanks to a closely coordinated effort by the federal and state governments and the Treuhandanstalt, the 'chemical triangle" now has a future as one of Europe's most modern Industrial regions. A fair amount of public-sector support and a bit of horse-trading have convinced Germany's VEBA, Italy's ENI and France's Elf to invest 14 billion DM in building state-of-the-art production facilitles located in the "triangle."

Communities were anxious to provide their citizens with high-quality "public goods" (drinking water, natural gas and electricity, to give a few examples), but they were short of the know-how and the

resources to do so. Enter Eurawasser, a German-French consortium made up of Thyssen Handelsunion (51 percent) and Lvonnaise des Eaux-Dumez (49 percent). In the largest deal of its kind in Germany to date, this consortium will operate Rostock's water supply and sewage systems starting from January 1993. The consortlum's "rent" is the 900 million DM it will invest in the city's system. Its "return" accrues from users' fees. Similar deals have been concluded in the natural-gassupply, waste-disposal, electricity-generation and other systems.

Disposing of waste is always a dirty and difficult proposition, but when this waste is composed of the surplus equipment and munitions of an entire army, then the element of danger has to be factored in. Or at least so it would seem. For Buck-Werke, the disposal of over 3 million pieces of munitions and equipment from the NVA (the former armed forces of East Germany) has been just another job - albeit with a twist. Over the past two decades, orders from the West German army accounted for 90 percent of the Bavariabased company's turnover. Today, its disposal activities in the Brandenburgian town of Pinnow have given the company, once facing a drastic drop in business, a new lease on life. For Pinnow and its fledgling business park, Buck, too, has proven a godsend. The company is investing profits earned from munitions disposal in new manufacturing facilities in Plnnow. Products include hospital beds, mobile homes

#### FRANKFURT/ ODER LINKS **UP WITH** THE EAST

Frankfurt/Oder has 84,000 inhabitants and is located in the state of Brandenburg. Across the Oder River to the east lie Poland and the town of Slubice.

"Frankfurt/Oder and Slubice now form a single metropolitan area," recently declared Der Spiegel, commenting on the integration of the two communities' economies and cultural lives.

To further promote the goodneighbor ties of the Oder region as Walter Hirche, Brandenburg's energetic minister for economic affairs, has dubbed it - Brandenburg and the Polish authorities have created an extensive range of binational entities and laws. These include everything from a chamber of commerce and Investment subsidles to tax breaks and a business-promotion authority with headquarters in Poland. A World Trade Center will be built in Frankfurt/Oder; the municipality of Slubice will be one of its owners. An island in the Oder will become a free trade zone, Elsenhuttenstadt (Brandenburg) and Zielona Gora (Poland) are to be linked in a pan-Oder industrial park.

Not all these initiatives are purely economic. A polytechnic — in which both German and Polish will be languages of instruction - is being founded, as is the Lower Oder Valley international nature dreserve.

#### SAXONY

Saxony was a center of Germany's industrial revolution. Its mechanical engineering industry led the world in the pre-World War li era Leipzig was traditionally central Germany's trading, publishing and financial center. Its trade-tair authority is the oldest in the world and has recently been reorganized. Quelle, Germany's largest mail-order company, is building a distribution facility in the city's vicinity. Royal patronage made Dresden and neighboring Meissen Europe's center for fine manufacturing: porcelain, jewelry, weapons, silver and gold. Today, publishing (Bertelsmann), telecommunications and electronics (Siemens) and pharmaceuticals (Asta) are three of the area's major industries. Meissen has remained a leader in its field. Southwestern Saxony is once more one of Germany's prime automobile-manufacturing centers.

#### **THURINGIA**

Thuringia is known for its forests - the state has been dubbed the "green heart of Germany" - and its automobiles, textiles, optics and precision mechanics. Eisenach, the original production site of BMW, now teatures a billion-mark, state-of-the-art Opel facility, plus several hundred automobile-component manufacturers. After a successful restructuring, the Jena region is once more producing planetaria, microscopes, lasers and electronics. Thuringia has two of Germany's foremost tourist attractions: Weimar, where 2 million people have visited Goethe's place of residence and other cultural attractions this year, and the Wartburg, the fortress where Martin Luther sought reluge.

#### INVESTOR'S ATLAS

#### BRANDENBURG BERLIN

Brandenburg and Berlin have announced plans to merge by the end of the decade. East Berlin is becoming one of Europe's retail, business and governmental services centers. Investors include Dairnier Benz, Sony, AEG, ABB and Galeries Lafayette. With the impending transfer of the government to the city, the pace of construction is heated. BMW Rolls-Royce, Heidelberger Druck, Mercedes Benz and AEG are just a few of the companies settling on or near the city's beltime. BASF is building a 2.3 billion DM facility in southern Brandenburg's lignite industry. Krupp's 2.7 billion DM investment has given eastern Brandenburg's steel industry a new future. Petroleum refining and processing facilities are located in Schwedt, where VEBA has made a 2.3 billion DM investment. About 2.2 billion DM have been invested in the city of Brandenburg's industries.

#### SAXONY-ANHALT

Saxony-Anhalt offers a contrast between the idyllic Harz mountains and the "chemical triangle" of Bitterfeld, Halle and Merseburg The sublime Harz are quickly becoming a European favorite again. A very promising future lies in store for the triangle. Some 14 billion Deutsche marks (\$9 billion) have been invested in the region by Elf, Eni, VEBA and other companies, giving the region some of the most advanceu industrial facilities in Europe. Energy. chemicals and petroleum products will be staple items. In rural Haldensleben, one of Europe's major mail-order catalogue distribution facilities is being built.

#### MECKLENBURG-**WEST POMERANIA**

This state has become a favorite with North European investors. Thanks to billion-mark commitments by Kvaerner, TTS and other major Norwegian marine-engineering companies, the state's shipyards - centered in the Rostock region - will be modernized. Danish companies have been active purchasers of farm and food-processing industries throughout the state. Schwenn and Neubrandenburg are other industrial centers, its 380 kilometers (236 miles) of Baltic sea coast have made the state the favorite vacation spot for residents of north Germany's crowded cities. Today, hotels, restaurants and roads are being built or restored all throughout the state. A new species of vacationer - the "green" tourist - is enjoying Germany's largest natural preserve, located on the east coast of the Muritzsee







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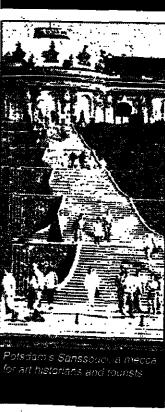
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#### STATE BUSINESS PROMOTION AGENCIES

WIRTSCHAFTSFÖRDERUNGSGE-SELLSCHAFT MBH **DES LANDES SACHSEN** 

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Wilhelm-Hopfner-Ring 4 D-0-3037 Magdeburg Tel.: (49-391) 382 27 03 Fax: (49-391) 615 135

WIRTSCHAFTSFÖRDERUNGSGE-SELLSCHAFT MBH DES LANDES MECKLENBURG-VOR-POMMERN

Wismarsche Straße 152 D-O-2750 Schwerin Tel.: (49-385) 836 04 Fax: (49-385) 812 987

#### FOR MORE INFORMATION

• FEDERAL MINISTRY OF ECONOMICS BERLIN OFFICE

(responsible for non-German investment in the new states) Unter den Linden 44 -60 D-O-1080 Berlin Tel.: (49-30) 3 99 85 100/101. 461

Contact: Helga Manneck, Ken Bremer

Fax: (49-30) 3 99 85 235

• TREUHANDANSTALT (charged with the privatization of the East German state companies and properties) Detlev Rohwedder House Leipziger Straße 5-7 D-O-1080 Berlin General information: Tel.: (49-30) 31 54 10 37

Information for investors: Tel.: (49-130) 82 84 81 (toll free for investors inside Germany) Fax: (49-30) 25 15 184 Information on real estate: Liegenschaftsgesellschaft mbH

#### TLG Treuhand-Alexanderplatz 6 D-O-1020 Berlin Tel.: (49-30) 31 54 70 00 (information hotline)

### TO GREAT OPEN SPACES

TOURISM: ON THE WAY

n estimated 15 million Germans, French, Americans, Japanese and several dozen other nationalities have come this year to see the glories of Dresden, Weimar, Potsdam, Dessau and other cities in the new states, according to a research institute specializing in tourism in Germany's new states.

### THE TREUHANDANSTALT, AFTER PRIVATIZATION

Fax: (49-30) 31 54 10 36

he Treuhand has privatized more than three-quarters of the former East Germany's public sector economy. Of the 3,200 or so companies that remain in the agency's stewardship, two-thirds are in some phase of the sales process. Today, new responsibilities await the agency.

An emerging area of activity for the Treuhand is supplying hard-won expertise to other countries' privatization programs. In addition, up to 14,000 contracts with investors will have to be monitored for com-

October was a good month for the Treuhand. An additional 415 companies were privatized, bringing the agency's two-anda-half-year total to more than 9,250. Total investment commitments rose to 157.6 bil-Iron Deutsche marks (\$98.5 billion), and 1.3 million jobs have been guaranteed by the companies' new owners. Hero Brahms, the agency's vice president, reports that investors have actually been meeting their contractual obligations. According to a recent Treuhand survey, cumulative investment is running slightly below the target amount, while jobs secured are slightly above target.

October was a very good month for Karlhermann Klottschen (the agency's head of investor relations), the Treuhand's New York office and the rest of the agencv's international sales team. With 2.67 billion DM in investment commitments, the United States has surged past France for the lead in non-German corporate purchases of Treuhand properties. Once major, French-led projects such as DEFA and MINOL are factored into the figures, France is expected to regain its perennial hold on the top spot. Total purchases by non-Germans of Treuhand properties now amount to 14 3 billion DM.

In the agency's immediate future - according to Birgit Breuel, its president - is the sale of the remaining 3,200 or so companies in its stewardship, of which twothirds are in some phase of the sales process. Of the companies left to sell, only

2,000 are actually operating companies, according to Mr. Brahms; the rest are "shells." By the end of 1993, Ms. Breuel expects only a "hard core" of 500 companies to remain under agency administra-

The United States has surged past France for the lead in non-German corporate purchases of Treuhand properties

These companies are both vital to the industrial future of the region and difficult to sell. They are concentrated in such high-skilled, difficult-to-market sectors as heavy machinery, metal processing and plant installation. At the moment, the ranks of these companies include such time-

honored names as SKET and Mansfeld. The Treuhand has a very good record of privatizing apparent basket cases, as the recent sales of shipbuilding and chemical companies show. The agency has devel-

oped an innovative form of corporate ownership called the "management KG" (the "Kommanditgesellschaft" is German for a partnership limited by shares). In the management KG, experienced company doctors are placed at the head of companies owning a range of Individual enterprises. allowing these managers to "multiply" their expertise. Finance is provided by prisector guarantees.

At the latest report, two such holding companies were in existence. The management KG could very well serve as a model for the German federal government's newly announced plans to ensure the survival of the region's "industrial problem children." Although no long-term industrial management activities are prescribed by the Treuhand's brief, it could well be that senior agency executives participate in what presumably will be a variety of state-owned holding companies.

To sell its sometimes unwieldy charges, the Treuhand has often split them into more coherent, compact units. By the time the privatization process has been completed, the Treuhand may have concluded as many as 14,000 contracts with investors. These contracts contain long-term obligations for both parties. Investors have bound themselves to spend a certain amount of money and to hire a certain number of people. Both the Treuhand and the investor share liability for any environmental cleanup costs.

The Treuhand's main role in 1993 will be to monitor adherence to these contracts and to be a party to cleanup efforts. Another activity will be to help supervise the liquidation of the 220 billion DM to 250 billion DM in debt that the agency has incurred in forging the region's private sec-

Some of the agency's personnel are already in Estonia, Belarus, Bulgaria and other Eastern and Central European countries. They are representing the TOB (Treuhand Osteuropa Beratungsgesellschaft), the Treuhand's consulting arm. Treuhand spokeswoman Ulrike Grunrock reports that the TOB, founded only half a year ago, is now itself a candidate for privatization.

Once in the region, these tourists often made other, definitely non-urban discoverles. An "allee" is not, as one might think, an avenue, but rather a road lined with trees and sheltered by their foliage. Progress has widened most of Western Germany's allees out of existence, but they are still a staple of the countryside from Saxony to Mecklenburg-West Pomerania and

North of Berlin and east of Hamburg is a vast expanse of thousands of half-forgotten lakes and castles. Beyond that is a coast of sandy beaches and gently rolling Baltic surf, and cities with names once featured in books by Theodor Fontane, Thomas Mann and Kurt Tucholsky.

There are delightful surprises awaiting visitors in all of Germany's new and old

> North of Berlin and East of Hamburg is a vast expanse of lakes and castles, and beyond that is a coast of sandy beaches

states. The longest allee is in Brandenburg, and the most regal ones are outside Dresden. The Baltic also laps on beaches in Schleswig-Holstein. What are allegedly the country's most beautiful allees (near Bad Doberan) and its longest sandy beach (on the island of Usedom) are both located in Germany's "emptiest" state, Mecklenburg-West Pomerania.

Mecklenburg-West Pomerania is "underdeveloped." This matter of ministerial concern is the source of pleasure for tourists. The state is large and thinly populated; just under 2 million people live on its 23,835 square kilometers (9,200 square miles) - 83 persons per square kilome-

Mecklenburg-West Pomerania builds ships in Rostock, has industrial centers in Neubrandenburg and Schwerin, and farms in its southern districts. Aside from that, there is nothing but nature - and tourists Unspoiled nature is best represented by the Muritzsee, Germany's second-largest lake. Its east coast will become Germany's largest nature preserve. Continuing a 170vear-old tradition, the tourists head north each summer from Berlin, Leipzig and "southern" cities for a taste of the sand and the sun on the "Mecklenburgish Rivi-

Nowhere is Mecklenburg-West Pomerania more idyllic than on its 320 islands and "half islands" (peninsulas). The largest island is Rugen, 40 percent of which (including most of its allees) was recently declared a national monument. On Rogen's "little sister," Hiddensee, there are 1,300 inhabitants, two ferry ports and no automobiles to be found along its 17 kilometers (10.5 miles).

There is also a discreet number of hotels, restaurants, snack bars and whatever else tourists require to enjoy their vacations. Restaurants may sometimes go by the rather outdated terms of "Gaststätte" or "Bratstube," but they are easy to locate throughout the eastern part of the country.

Accommodations are another story. They are there, but often bear misleading names. Hotels are either very old, worthy relics of previous golden eras or very new, post-unification outposts of major chains or, very frequently, former guest houses of the FDGB (the former East German official union) or a Kombinat (vertically integrated industrial unit). Often, the only difference between the motels and hotels is their names. As the sudden proliferation of signs bearing the words "Zimmer" (room) and "Ferienwohnung" (vacation apartment) would indicate, private rooms have also come to the region.

How many beds are there on Hiddensee? "At the moment, somewhere around 500. The number keeps on growing," says a somewhat harassed tourist official.

#### SHOOTING STARS

Following is a selection of companies and business executives from the new states that are making their marks on world mar-

 Jenoptik, Jena. Aided by 3.6 billion Deutsche marks (\$2.25 billion) in governmental and Treuhand funds, Jenoptik, one of two successor companies to Carl Zeiss Jena, now boasts a portfolio of state-ofthe-art products filmless infrared cameras, direct printed circuits and ultraprecise lasers. Lothar Spath, the former prime minister of Baden-Wurtlemberg and now Jenoptik's chairman, has convinced more than 100 other Western high-tech companies to set up shop on premises parceled

off from Zerss Jena • Fritz Jäger, Neubrandenburg. The highly successful proprietor of Germany's Willich group ( 600 million DM annual turnover from insulation and interior finishing) first came to the Mecklenburg countryside

as a tourist, then as a gentleman tarmer. Today, while Willich is becoming a major player in the new states, Mr. Jager's other interests are also flourishing. His new empire consists of a door and window operation, a building-services-and-materials company, a vocational training center and livestock. All told: 10 million DM turnover this year • ZF Brandenburg GmbH, Branden-

burg. In 1990, Andreas Hohrein and Berthold Pavel were senior mechanical engineers working for a transmission producer, which was suddenly out of orders and nearly bankrupt. Mr. Hohrein and Mr. Pavel cleared the old machinery out of the facility and convinced ZF Friedrichshafen, Europe's largest gear producer, to purchase the company from the Treuhandanstall. This year, after a 50 million DM investment from ZF Friedrichshafen, ZF Brandenburg will record sales of well over 100 million

DM. Clients include BMW, MAN and Re-

• Rainer Bitsch, Berlin. He started with an order to paint electricity-line poles and expanded into the installation and maintenance of cogeneration plants. Then he chanced into automobile sales and saw opportunity in construction. In 1992, Mr. Bitsch's companies are projected to have sales of 70 million DM.

• Kübler & Niethammer Papierfabrik Kriebstein AG, Kriebethai/Saxony. The paper factory was founded by Berndt Niethammer's great-grandfather. In 1945, the Soviet occupying army dispossessed and arrested his family. After the November revolution, Mr. Niethammer came back to Saxony, bringing with him his expertise as a successful paper manufacturer in Baden-Wurttemberg. Elected by the work force to run the paper factory, which was on the verge of bankruptcy, Mr. Niethammer turned it around. Once more profitable, the paper factory now records 80

percent of its sales from Western clients. Peter Krause, Berlin. Germany's Entrepreneur of the Year in 1991, Mr. Krause worked for an East German office-supply enterprise until August 1989. After a short stint as a free-lance photographer, he perceived a need in the new states for office supplies on a wholesale basis. For 1992, Mr. Krause expects a turnover of about 16 million DM.

• Wemex, Berlin. Thomas Steiger's Wernex will earn 18 million DM in computer hardware and software sales and services this year. Not bad for a company that did not exist three years ago. Mr. Steiger's: other interests include an Eastern Europeoriented trading house, an environmental engineering company, and a hotel and restaurant supply service.

• TRP Tief-und Rohrleitungsbau

GmbH, Potsdam. Siegfried Benn and Thomas Schorer were two civil engineers with a common vision of the trillion-mark need to revamp sewage and transport infrastructure in the new states. In a management buy-out, they took over TRP and found 45 million DM in financial support from a Nuremberg-based company. In 1992, TRP will turn over 120 million DM. The company has increased its original 420-strong work force by an additional 230 persons.

• DFA, Cheminitz. It has been a good year for this finisher and plant-construction company, its 5,000-strong work force has doubled its productivity, and the company will do "a little bit better than break even," says a director, Goals for 1993: 25-percent growth and perhaps a change of owner-DFA is still owned by the public





#### THE TRIB INDEX: 90.97 🛭

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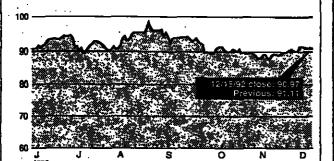
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The state of

International Herald Tribune World Stock Index C, composed of 230 internationally investable stocks from 20 countries, compiled by Bloomberg Business News. Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in: Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Asia/Pacific	Europe	N. America
Approx. weighting: 25%	Approx. weighting: 40%	Approx. weighting: 35%
110 Close: 84.53 Prev.: 84.17	Close: 91.16 Prev.: 91.51	Close: 97.28 Prev.: 97.66
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Energy	91.86		+0.20	Capital Goods	91.22	92.18	-1.D4
Utilities	86.32	85.89	+0.50	Raw Materials	92.32	92.21	+0.12
Finance	82.98	82.79	+0.23	Consumer Goods	93.80	94.20	-0.42
Services	99.54	99.72	-0.18	Miscellaneous	92.50	92.53	-0.03

For readers desiring more information about the Intermational Herald Tribu Index, a booklet is available free of charge by waiting to Trib Index, 181 Avenue Charles de Gaulle, 92521 Neully Cedex, France.

#### **MEDIA MARKETS**

### 1993 Is Promising a Feast For Germany's News Buffs

By Brandon Mitchener

RANKFURT --- For German news junkies used to deprivation, 1993 will be the year of the overdose. Three new television stations, two focusing on hard news and one feature-oriented, as well as a weekly newsmagazine, will be taking aim at what is considered one of the last promising niches in the German advertising market: well-educated and wealthy with

• N-TV, which began broadcasting 24 hours of news a day on Nov. 30, is Germany's answer to Cable News Network. The strong points are business re-

porting and a cooperative agreement with British Broadcasting The fare? Three new Corp. on foreign news.

• VOX, an information channel that is to go on the air Jan. a newsmagazine. 25, aims to be "up-to-date, informative, entertaining and in-

novative" with hourly news, investigative reporting, talk shows and docudramas. Several newspapers, including the Neue Zürcher Zeitung and the International Herald Tribune, are tentatively scheduler. uled to provide regular programming.

 A third contender is Euronews, an all-news station to be based in Lyon and sponsored at least initially by the European Community, broadcasting in five languages including German. No startup

 In the print press, a flashy, four-color newsmagazine called Focus will go head-to-head with Germany's stolid, black-and-white weekly Der Spiegel as of Jan. 18. The publisher, Burda GmbH, says it had no plans to compete with Der Spiegel, but nevertheless bills Focus as a "modern" alternative.

News and economics magazines are the second-biggest advertising markets in the German print press, behind television program guides, and upstart private television stations are increasingly buring viewers and advertisers from the leviathan public-sector

It comes as no surprise that media companies are given good prospects for growth in a market that expanded by a quarter following German unification. Deutsche Bank Research recently reckoned that Axel Springer Verlag AG, publisher of Bild and one of Germany's media heavyweights, could see a 50 percent jump in

See NEWS, Page 18

### Can Britain Fight the Import Tide?

By Erik Ipsen

LONDON - Economists looking for signs of deep-seated problems in the British economy usually get no further than the trade balance. They have no need to. "The figures are appalling," said Bill Martin, chief economist with UBS Phillips & Drew.

In the midst of the longest recession since thing they are not supposed to do — risen.

#### **NEWS ANALYSIS** Second of two articles

British demand is increasingly being met by non-British suppliers.

This is an ominous and humiliating predic-ament for the world's first industrial nation. The brave boast that Britain will now lead the way as the world's post-industrial nation is

no longer heard. in the third quarter, domestic demand rose by 0.5 percent while imports, excluding cars, soared by 8 percent. Mr. Martin pinned the blame for this year's expected I percentage point fall in gross domestic product on "massively higher imports.



problem is not that we are hopeless at doing anything, but that the supply base is not big enough to meet the demand of both the

domestic and export market."

Economists estimate that the capital base of British manufacturers — its stock of machines and material to make things — has fallen slightly since 1979, the year before Britain's last recession. Meanwhile, domestic demand has risen 30 percent and exports have soared

The result is a severe shortfall in manufac-Richard Conquest, chief economist at the Daiwa Institute of Research, said: "The year, instead of posting the substantial current account surplus that would be usual in a recession, that shortfall contributed to a current account deficit of £9.7 billion (\$15.2

Underlying that broader measure, which includes export earnings from such so-called invisible items as financial services, was a steady deterioration in Britain's balance of trade. In the first six months of the year, imports of nonoil goods exceeded exports by 27 billion. Economists at James Capel, the brokerage firm, estimated that deficit would hit £16 billion this year and £23 billion in

For the so-called "miracle economy" of the mid-1980s, the one whose productivity growth rates far outstripped its rivals, the one that was supposed to have cleanly broken its long downward spiral, this comes as a bit of a

The recession was one thing, but it was not supposed to have wiped out the hard-won gains of the 1980s. Then, in the drive to a slimmer, more productive Britain, 2.5 million jobs disappeared and as much as a fifth of industrial capacity was lost.

"We have become more competitive, but we have not seen those gains feed through in terms of a significant increase in the manu-facturing base," said Andrew Sentance, chief

South Korea's Engine Slows

See U.K., Page 19

Trade Balance

\$12

### **Leasing Firm Orders Planes Worth \$4 Billion**

LOS ANGELES - International Lease Finance Corp., taking advantage of one of the best buyers' markets for jets in years, announced Tuesday it would spend \$4.1 billion in the largest aircraft

ILFC, a unit of American International Group, said it would acquire 53 aircraft from Boeing Co., 28 from Airbus Industrie and one from McDonnell Douglas Corp. It also took out options worth \$1.3 billion on 17 more Boeing and eight more Airbus aircraft.

The order was a significant boost for Boeing, which learned Monday that United Airlines planned to reduce its 175 orders and 258 options

by an unspecified number. Airbus also suffered a blow last week when Northwest Airlines canceled a \$3.5 billion order for 74 of

Standard of Living

Per-capita growth in gross national product, in thousands of dollars

because it expected continuing growth in its leasing business, despite the current slump in the airline industry. Before the Tuesday announce ment, ILFC already had about 200 aircraft on order and 60 percent of

as part of a cost-cutting program.

this fleet had been leased to clients. All of the company's existing 185 planes are leased out. "Our core aircraft-leasing busi-

ness has been steadily growing in volume, demand and profitability, which is rapidly exhausting our ex-isting order book and now requires ILFC to secure adequate supplies of new-technology jet aircraft," ILFC Chairman Leslie Gonda said.

The announcement also comes at a time when ILFC's chief rival, Ireland-based GPA Group Ltd., has been struggling to avert insolvency. The company canceled an initial public offering in June be-cause of a lack of interest from institutional investors and recently suffered downgradings in its debt ratings by Moody's Investors Service and Standard & Poor's Corp.

Dean Thornton, president of Boeing Commercial Airplane Group, called the ILFC deal "refreshing news for an otherwise ner-vous industry," and said the order underscored Boeing's optimism for

The deal also is a big plus for Airbus, coming on the heels of a number of cancellations and deferrais from recession-plagued carriers.
As for McDonnell Douglas,
ILFC Tuesday converted an option
on one trijet into a firm order for March 1995 delivery.

when McDonnell Douglas has also been stumbling. The company re-cently delayed plans to launch a new jumbo jet after Taiwanese investors lost interest in a proposed deal worth \$2 billion to help produce the new craft.

ILFC said it expected initial deliveries to begin in 1994, with most aircraft to be shipped between 1996 and 1998. The order includes virtually every model made by Boeing

### **Seoul Losing Faith** In Formulas of Past

### 'New Japan' Fears Falling Even Further Behind Tokyo

By Andrew Pollack

Indeed, as South Koreans prepare to vote on Dec. 18 to elect a greater political influence, as exemplified by the visit last month to become the major campaign issue.

There is a sense of foreboding that the rapid progress has stalled, and the rapid progress has stalled, and there is a proving consensus that economic groups has slowed as there is a growing consensus that economic growth has slowed, a the economic system that has car- trade surplus has turned into a defiried South Korea so far so fast can cit, and the country has been losing carry it no further, indeed, that it competitiveness in some industries, must change in as fundamental a Even after the strong earlier way as the political system has. growth, gross national product per South Korea in fact remains one capita in 1991 was only roughly

ries. Some companies in businesses like computer memory chips and SEOUL - South Korea, which steel lead the world. Gross national only five years ago was being product per capita, a measure of looked upon as the next Japan, is the standard of living, has more coming to grips with the notion than doubled in five years, to that it might not be so easy to get \$6,340 in 1991, from about \$3,000

in 1987.

of the great economic success sto-equal to that of Greece, and far

below that of Japan (\$26,920), the United States (\$22,560) and Britain huge conglomerates, South Korea (\$16,750), according to the World Now, said Bae Soon Hoon, president of Daewoo Electronics, "the

gap between Japan and Korea is To keep progressing, many business executives and economists say, South Korea must navigate two

Instead of the economic system developed during the years of dictatorship, which gave the govern-ment strict economic control and

major transitions.

must now move toward freer markets and smaller, entrepreneurial

'85

'90

Second, the nation must shift more toward innovation and advanced technology. Industries that have propelled South Korea's growth so far, like shoes, clothing and simple consumer electronics products, are now migrating to de-

veloping nations with far lower wages like Indonesia and China. "Right now, we need a change of paradigm," said Paik Man Gi, di-

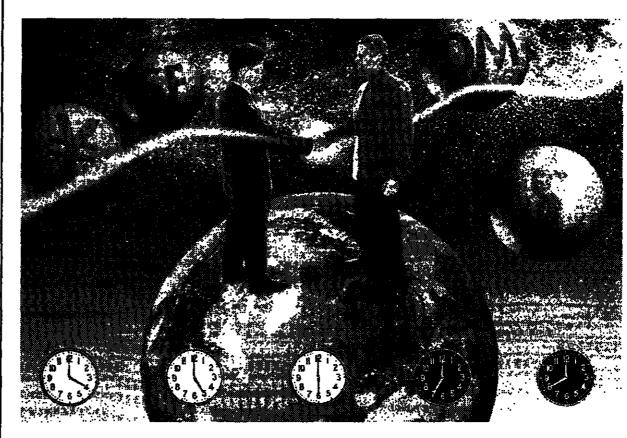
rector of the semiconductor division at the Ministry of Trade and A move away from low-tech, la-

bor-intensive industries is probably inevitable as any nation modernizes, but in South Korea's case the change has been hastened by democratic reforms that gave a voice to formerly suppressed workers.

Strikes in the late 1980s, some of them violent, helped lead to a tripling of wages in some cases, and more than 300 labor-intensive foot-

See SEOUL, Page 19

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### Franc Feels Pressure As ERM Jitters Return

LONDON — The Deutsche mark strengthened in nervous foreign exchange trading on Tuesday, and the French franc succumbed to a fresh bout of

European currency jitters. Germany's central bank, the Bundesbank, intervened to support the franc at 3.4176 to the mark around midday in a replay of repeated franc-buying forays it mounted last week. But the French currency, which had been helped by a show of unity at the European

Community summit meeting in Edinburgh over the weekend, lost its short-lived gains. The mark rose to 3.4164 francs from 3.4088 on Monday. Currency dealers said much of the impact of the interven-tion was lost due to comments

by a Bundesbank council member, Ottmar Issing. He said German inflation remained high and was unlikely to ease in coming months, a further signal there would be no quick end to high German interest rates. The dealers also said the

franc was dented by market talk that the Bundesbank would not aid it as strongly as it did in September, when the pound and lira were forced from the European Monetary System's

exchange-rate mechanism grid of currency parities.

The dollar advanced against European currencies after re-marks by President-elect Bill Clinton that he would back a strong American currency. But the mark's strength against the dollar pushed it off a ledge above 1.57 DM to 1.5680 at the European close,

Separately, Ireland's central bank slashed interest rates to 16 percent from 20 percent as pres-sure on the punt abated within the exchange-rate mechanism. Dealers said speculation persisted of a devaluation of the

Irish punt and of a post-Christmas alignment downwards of the French franc and Danish krone. All belong to the ERM. After the rate cut, the punt

dipped before moving back to around 2,6394 DM, edging away from its ERM floor of 2,6193. Private economists said the

Irish rate cut reflected an easing in recent selling pressure on the

"Maybe they feel the pressure is off the currency since the weekend, said Dermot O'Brien, conomist at NCB Research in See RATES, Page 16

Dec. 15

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#### **CURRENCY & INTEREST RATES**

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EUROPEAN FUTURES

#### **MARKET DIARY**

### **IBM Blues Sour Big Board Mood**

Compiled by Our Staff From Dispatches NEW YORK - Blue-chips stocks ended with minor losses on Tuesday, recouping some of the early declines spurred by a sharp drop in the price of IBM's stock.

In a session already undercut by profit-taking, IBM compounded recent severe losses by falling 64 to 56% after announcing cost-cutting

The Dow Jones industrial average slid 7.84, to 3,284.36. Declining

#### N.Y. Stocks

issues outnumbered advancers by a 6-5 ratio on the New York Stock Exchange, where volume rose to 225.88 million shares from 182.51

Bonds rathed for the first time in five sessions amid signs that the economic recovery may be weaker than expected. The benchmark 30year bond gained 1/4 point, cutting its yield to 7.45 percent.

The Nasdaq composite fell 3.98 to 650.75, or about 0.61 percent, led by Microsoft Corp., Novell Inc., Apple Computer Corp. and Seagate Technology Inc. The Nasdaq composite is down about 2.4 percent in the past five sessions. Standard & Poor's 500 index fell

0.27 to 432.57. Treasury securities surged after International Business Machines said it would cut 25,000 jobs next year and take a \$6 billion charge in the fourth-quarter to pay for the cuts and other downsizing ex-

The IBM news is a sign that the "economy is not going to blast off,"

Meanwhile, retailers reported

#### anemic holiday sales, dashing ex-pectations that this selling season would mark a turnaround for the

Short-term notes and Treasury bills also got a boost when the Fed said it would buy Treasury bills of all maturities for settlement tomorrow, a trader at Lehman Brothers said. The operation, known as a "bill pass," is the permanent injection of reserves into the banking system.

Newton Zinder, market analyst at Lehman Brothers, said the market "is still consolidating the gains it made since early October" added that "today we have IBM

acting as a depressant." Traders also mentioned several echnical factors.

"Aside from the usual year-end crosscurrents like tax-loss selling, we also have the triple-witching hour which creates erratic trading. Mr. Zinder said.

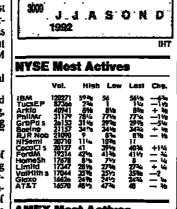
Tax-loss selling is the practice of dumping losing or non-performing stocks to realize losses for tax purposes, while "triple-witching" refers to the quarterly expiration of stock-index futures and options and options on individual stocks on

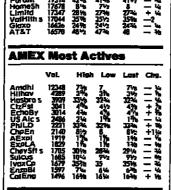
the same day.

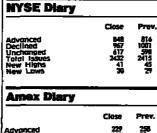
On the trading floor, Tucson Electric Power was the second most active issue on the Big Board, falling 1½ to 1½ after saying it issued about 135 million shares of com-mon stock as part of its financial

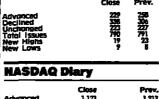
restructuring plan.
Arkla was third, adding 1/4 to 81/2. Its stock rose Monday after the natural-gas utility's board of directors accepted the resignation of Thomas McLarty III as Arkla's chairman and chief executive offibond options trading at Aubrey G. cer to become Clinton's chief of

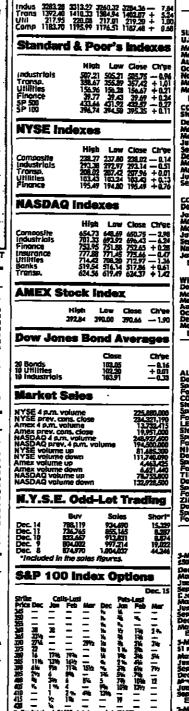












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#### Business Inventories Down in U.S.

WASHINGTON (AP) - Business inventories fell 0.3 percent in October, the steepest decline in nine months, the government said Tuesday. Sales were unchanged at the highest level since July. Analysis said the report portended increased production and job growth as businesses attempted to meet increased demand.

The Commerce Department said inventories held on shelves and backlots totaled a seasonally adjusted \$832.9 billion in October, down from \$835.4 billion a month earlier. It was the largest decline since backlogs shrank 0.5 percent in January.

The department said sales at the manufacturing, wholesale and retail levels in October totaled a seasonally adjusted \$558.5 billion, statistically

unchanged from \$558.7 billion a month earlier.

Meanwhile, America's overall trade deficit fell 20 percent in the July. September quarter, the largest decline in six months, the government said Tuesday. The Commerce Department said the third-quarter gap in the U.S. current account totaled \$14.2 billion, down from \$17.8 billion in the previous quarter. It was the largest decrease since the deficit dropped 22.3 percent from January through March.

#### Early December Car Sales Advance

DETROIT (Reuters) — Preliminary data from major automobile manufacturers indicated Tuesday that U.S. car sales in the Dec. 1-10 period were running at an annual rate of 6.5 million units, up from 5.7 million in the similar 1991 time span.

This reflects sales results from companies accounting for approximate ly 84 percent of the market.

Selling days totaled nine in the period versus eight the previous year.

The seasonally adjusted annual rate was derived by using an adjustment factor supplied by the U.S. Commerce Department.

#### Federal Express Posts Higher Profit

MEMPHIS, Tennessee (AP) — Federal Express Corp. reported a 43 percent increase in its quarterly profit as the air courier company benefited from reduced foreign losses.

The after-tax income of \$37.9 million, or 70 cents a share, in the quarter

ended Nov. 30 was up from \$26.5 million in the corresponding 1991 quarter. In March, Federal Express said it would halt its intro-European service, selling much of the operation to TNT Ltd. of Australia.

The Memphis-based company had revenue of \$1.96 billion in the quarter, up from \$1.94 billion a year ago. Federal Express reported that leaves in its international memory for Sentember through Nov. 20 fell

losses in its international operations for September through Nov. 30 fell to \$37.6 million from \$69.6 million in the like quarter last year. Shipments were up 17 percent during the period despite intra-European deliveries

#### StatesWest Airlines Is in Trouble

PHOENIX (AP) — States West Airlines Inc., a Phoenix-based regional carrier with operations in California, says it is critically short of cash and might seek federal bankruptcy protection from its creditors.

States West has about 275 employees and serves Phoenix and 11

California cities, where it operates as a feeder airline for USAir in Los Angeles and San Francisco under the USAir Express name.

StatesWest failed in a recent effort to raise cash by offering to exchange its stock for warrants it had issued previously. The company also cited low air fares, flight cancellations, maintenance costs, a strike in October against USAir and the California economy for its troubles.

#### For the Record

Mycogen Corp. and S.C. Johnson Wax said Tuesday they had found natural protein toxins that could lead to new weapons in the war on ants and other household pests and that a new consumer product could reach the market in two to three years.

The California Public Employees Retirement System, one of Westing-house Electric Corp.'s largest shareholders, has written to other investors expressing "enthusiasm and support" for the company's restructuring. The retirement system had been openly critical of Westinghouse before the beleaguered company announced its changes.

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**RATES:** Franc Under Pressure

Dublin, referring to the EC meeting in Edinburgh.

Mr. O'Brien said he saw the cut

in overnight rates as one to relieve Foreign Exchange money market pressures rather

than to boost the economy. But some economists thought the move surprising given that pressure on the punt and other currencies near their floors in the ERM is widely expected to return in the New Year, when trading vol-

In addition, Ireland's exchange control regulations expire on Jan. 1. In Lisbon, the central bank said it planned to lift all restrictions on the movement of capital into and out of the country, starting rose to \$1.5670 from \$1.5665. Wednesday. Portugal had been ex-

pected to lift the controls Jan. 1.

The central bank currently requires resident companies that borrow abroad for noncommercial

loan proceeds with the central bank in a noninterest-bearing account. That rule will be abolished.

The Portuguese government also plans to lift the ban on foreign investment in floating-rate Trea-sury notes, known as Fomentos de Investimento Publico.

In New York, the dollar eased against the mark after analysts took remarks by President-elect Bill Clinton to mean that he was hedging an earlier remark that seemed to support a strong dollar.
The U.S. currency closed at 1.5675 DM, down a whisker from 1.5695 on Monday. But against the

yen, the dollar gained to 123.95 from 123.65. The dollar rose to 5.3575 French francs from 5.3545, but the pound

Earlier in London, the dollar hovered around 1.57 DM, in trad-ing that dealers said reflected the barest of interest from investors.

### **S&P Downgrades Sears Debt**

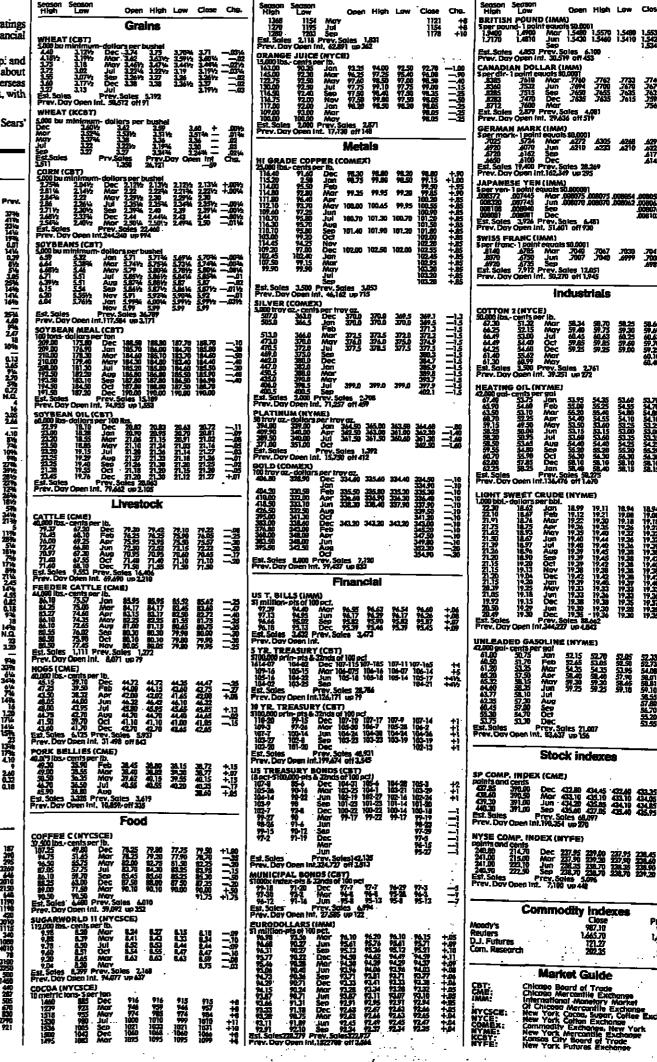
NEW YORK - Standard & Poor's Corp said Tuesday it cut its ratings on the commercial paper of two of Sears Roebuck & Co.'s financial subsidiaries and put the parent company's senior debt on review.

S&P cut the commercial paper of Sears Roebuck Acceptance Corp. and Discover Credit Corp. to A-2 from A-1. In addition, the A rating on about \$17 billion of long-term securities for Sears Roebuck, Sears Overseas

The moves were linked to heavy losses from Hurricane Andrew on Se

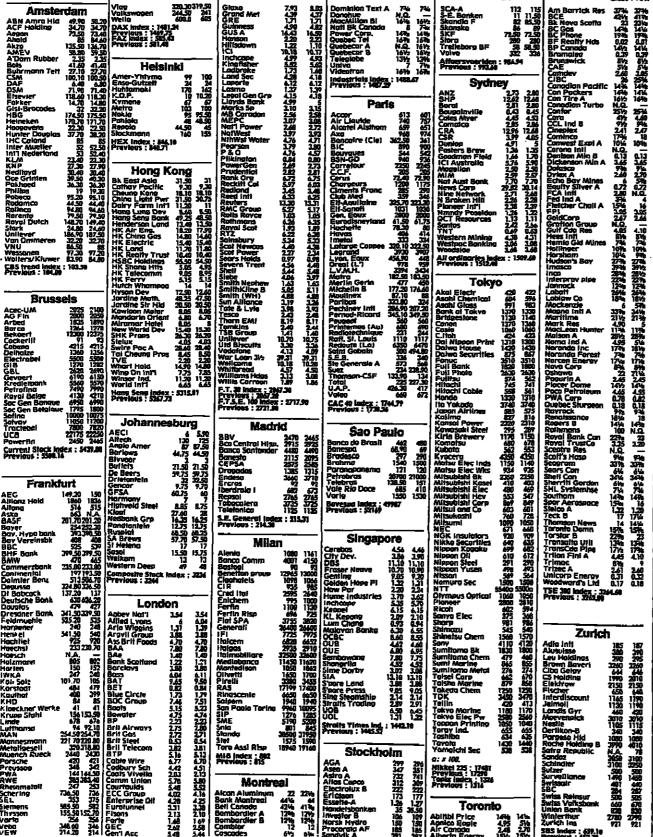
#### U.S. FUTURES

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### **WORLD STOCK MARKETS**



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THE RESIDAN, DECEMBER 16, 1992

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### NEWS: 1993 Is Promising to Be a Feast for Hungry German News Buffs

(Continued from first finance page) carnings per share next year be-cause of its involvement in two German private entertainment sta-

But analysts said the simultaneous appearance of at least four news and information providers at a time when most news is bad news may be more than the German market can swallow. Some said it was unlikely all the new products

"Germans are very traditional in their habits," said Heidrun Pleve, media editor at Horizont, a German advertising industry weekly.

"People often don't switch channels like the experts expect no mat-ter how good an idea is."

This fact of life became painfully obvious when the Wall fell and push through increases in advertisthe potential market had grown by 16 million. Rather than being

"For many people there," Ms. Pleve said, "the days are so depressing that the last thing they want to do is hear the latest unemployment statistics. Instead, they tune into siteoms." tune into sitcoms." The best things the new news providers can offer advertisers are a relatively affluent, recession-

German television news is currently dominated by two programs, Tagesschau and Tagesthemen, which achieve peak viewership of 20 percent but lag in flexibility. Indeed, a big boost to the start-up stations came from the Gulf War, which exposed technical and professional chinks in the state television stations.

The three start-up television news stations together cannot expect to capture much more than 4 percent of the nation's 31.1 million viewing households. Some specialists questioned whether that niche is large enough to support three stations.

N-TV is confident that it can be a sion stations' armor as they tried in vain to match coverage by CNN.

contrast to other such conduits of information, which carry CNN as a service and pass costs along to cable customers, Telekom demanded a fee from CNN as well.

percent-io-2.0 percent viewership, or 600,000 viewers over the course of a day, with its focus on hard news and business information. It hired away two anchors of the popular "Teleborse" program from Satl, another private station, to chair a midday business broadcast including a live feed from the Frankfurt stock exchange.

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Tuesday's Prices

NASDAQ prices as of 4 p.m. New York time.
This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

EUROPE

### **Devaluation Mixes U.K. Data**

LONDON - The bill for the devaluation of the Britain pound is falling due much more quickly than most economists had expected. Figures released Tuesday showed a surprising 2.4 percent jump in the prices manufacturers pay in pounds for raw materials and fuel, the largest monthly rise in 16 years.
"It shows that devaluation is a still a double-

edged sword," said Neil Williams, an economist at Daiwa Europe.

The other edge of that sword was widely credited with spurring another statistical surprise Tuesday: Manufacturing output, not including oil and gas production, rose 0.3 percent in October. A decline of that amount had been expected.

Including oil and gas, figures for industrial production rose by one percentage point. Oil and gas ontput soared by 3 percent in October. The gain was linked to the completion of maintenance work that had depressed energy output in the summer. Small as the manufacturing rise was in October, many economists saw it as the latest in a series of

signs Britain's recession is ending.

While specialists in the City of London financial district are beginning to believe that a fragile recovery has begun, that view has yet to make surprisingly inroads at the Treasury. In a detailed account of its recent policy changes published Tuesday, the Treasury took what many saw as a ngly downbeat view.

I think they are just trying to justify the easing they have already made," an economist said.

Ian Beauchamp, an economist with Hambros Bank, said he believed the combination of higherthan-expected input-price inflation and manufacturing output would make people "more cautious" in predicting the next rate cut.

Many economists say, however, the inflation figures for manufacturers' inputs were not as portenious as they might seem.

Despite price increases of as much as 7.5 percent announced by Ford of Britain on some of its imported cars, analysts remain convinced that manufacturers would have a hard time passing on higher costs in depressed retail markets. The betting is that they will simply have to absorb their higher costs by cutting profit margins.

Although that ranks as a gloomy prospect for the stock market, it is good news for Britain's inflation rate. Michael Saunders, an economist with Salomon Brothers Inc., said that, excluding the prices of food, drink and tobacco, output prices rose by 2.4 percent in the year to October, the lowest such increase since 1969.

#### ■ BP Targets 8,000 Jobs for Cuts

British Petroleum Co. said Tuesday it expected to cut 5,000 jobs worldwide over the next three years and forecast a further 3,000 employees would leave its payroll by 1995 as a result of asset sales, Renters reported from London.

The new staff reduction target is in addition to the 11,500 job cuts announced by BP in August,

#### U.K.: Will Britain Be Able to Fight the Import Tide?

economist at the Confederation of

British Industry. In other words, something went wrong. More efficient, more profitable companies are supposed to expand. As a whole, Britain's did not. An ill-timed government-engineered boom, fed by tax cuts,

boosted growth but also sent inflation rocketing in the late 1980s. Investment soared, but much of it went into that safest of all havens in inflationary times, property.

"A lot of it went into office blocks and housing when what was needed was more industry," said Keith Wade, chief economist at Schroder Economics.

Just as damaging, the government-induced boom was inevitably followed by the government-induced bust of the early 1990s, as fighting inflation became the order of the day.

The damage wrought by the boom and bust was substantial. In the late 1980s, the Treasury estimated that the economy had an underlying "trend rate" of growth

Paul Neild, economics director at County NatWest Securities, esti-

(Continued from first finance page) mates that that rate has now fallen growth led by exports and by doas low as 2.25 percent.

Regaining lost ground will be tough. "We are trying to repair the damage of seven years of policy mistakes," he said, "and it will take to the end of the decade to do it."

The devaluation of the pound that began with Britain's departure from the European Monetary Sys-tem's exchange-rate mechanism in September is a start. It will make British goods more competitive on world markets and imported goods less competitive in Britain.

While Mr. Sentance said he foresaw "gradual improvement"

"We have deep-seated, very serious and long-lasting structural problems," said Terry Barker, chairman of Cambridge Economics. "I don't see much action that is likely to improve them."

He cited both inadequate worker training and a lack of investment Fixing those problems will be a long, slow grind. Many economists argue that the government must

mestic producers clawing back do-mestic market share. Stimulating consumer demand, it is argued, would only serve to pull in new waves of imports.

The country does have its share of world-class manufacturers in everything from pharmaceuticals to cigarettes. It also can look forward to rezoing the rewards of huge investments Japanese and U.S. companies have made in building new plants to service the European singie market.

Then there are the services at which the British excel, such as through the 1990s in the balance of retailing and finance. Here, howevpayments numbers, others were er the notion that industry does not matter, that in the post-industrial age manufacturing could wither away to be replaced by services, is widely seen as wrong.

While the foreign currency earnings on services are substantial, they have not been enough to pay for growing volumes of imports.

The problem is that when the

U.K. consumer goes out to spend, we don't have enough goods to sat-isfy the demand," said Gerard Lyons, chief economist at DKB Interrefrain from fixing busts with national. "I still believe the

### SEOUL: Korea Fears Era of Rapid Growth Is Ending

(Continued from first finance page) latest quarter it was only 3.1 perwear companies, for instance, have cent, its lowest level in 11 years.
The nation will record its third conshut down in the last two years as secutive annual trade deficit this Nike, Reebok and other big buyers year. And Hyur have taken

where. Even in electronics, U.S. and Japanese companies have moved manufacturing to Southeast Asia because South Korea has lost its cost advantage. Exports of personal computers from South Korea plunged more than 57 percent in the first half of this year from the

comparable period a year earlier.

To move toward higher technology, the government wants to raise spending on research and development from a paltry 2 percent of GNP to between 3 and 5 percent. more in line with other advanced nations.

For now, however, South Kore an companies remain dependent on technology from abroad. Goldstar is making chips using technology from Hitachi, and Daewoo Motor Co. recently linked up with Honda. The more products these companies sell, the more components and manufacturing equipment they import from Japan.

Five years ago, when South Ko-reans voted in their first democratic presidential election in nearly two decades, the economy was barely

The economy was growing at a breakneck 12 percent a year and racking up large trade surpluses. and Seoul was about to celebrate its coming of age by playing host to the 1988 Summer Olympics.

But growth this year is expected to be only 6 percent and in the

1. 

40 percent as many cars in the

United States as it did at its peak. South Koreans might have "opened the champagne bottles a little early," said Park Ung-suh, president of Samsung Petrochemi-cal Co., who maintains that it was never realistic to think South Korea could become the next Japan.

"So far, we have been driving in first gear to escape the vicious cir-cle of poverty," he said. "We have done that so successfully that people wondered if we would go all the way to advanced country status."

But that, he said, will take time.

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NOTICE TO ALL UNITHOLDERS

By decision of the Management Company and the Depositary-Bank, the Citimarkets Special Bond Portfolio was dissolved on

Effective January 20th, 1993, Articles 3, 4, 5, 6, 8, 10, 15, 16 and 19 of the Management Regulations will be modified to allow for the integration of the Citimarkets Clobal Emerging Markets Portfolio. The new portfolio will be launched on March lat.

The revised Explanatory Memorandum dated December 1992 vill reflect these changes in addition to a new clause amending the subsequent subscription minimum to twenty-five units

The Management Company

# Eurotunnel? Compiled by Our Staff From Disputches ROME — Alitalia SpA said

LONDON — The opening of the Channel Tunnel, already six months behind schedule, may be further delayed by a dispute over payment for the \$12.5 billion project, Eurotunnel said Tuesday.

Eurotunnel and Transmanche Link, a 10-member Anglo-French consortium building the 50-kilome-ter (31-mile) tunnel, are at odds over about \$2 billion that the building companies say they are owed for increased costs.

The consortium said it vetoed Eurotunnel's latest offer, which involved payment in company stock and bonds as well as cash.

"The member companies of Transmanche Link announce with regret that they have been unable to reach agreement with their client, Eurotunnel, on the payment to which they are entitled," said a consortium statement.

consortium "may withhold cooperation, thus delaying completion."
"Our first priority," Eurotunnel

said, "remains the completion of

pushed the price way beyond the initial estimate of \$8.7 billion.

#### **Kuwait to Sell** Grupo Torras's Spanish Holdings

MADRID - Grupo Torras SA, the Kuwait Investment Office's Spanish holding company that went into receivership last week says it wants gradually to sell off its anish interests.

Torras urged government offi-cials and creditors to help in an orderly sale of the company's interests so that it can repay its debts.

The affair has caused a major controversy in Kuwait, where Finance Minister Nasser Abdulla al Rodhan was quoted as saying there was apparent misappropriation of public funds

Among its companies, the chemicals company Ercros SA, the real estate concern Prima Inmobiliaria SA and the Industrias Bures SA textiles unit are in receivership.
"The help of the authorities,

both regional and central, will be vital to facilitate the ordered sale of group companies and thereby satisly the company's debts," a Torras Many foreign analysts are not as pessimistic. They say the current statement said.

The company criticized bank slowdown stems from the world-wide recession and from efforts by debts and repeated allegations of

> MINISTRY OF PUBLIC WORKS ROADS DEPARTMENT

**NOTICE OF INVITATION TO TENDER** 1. UTILISATION OF LOAN SAYINGS FOR ROADS MAINTENANCE PROJECT

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east reserves the right to reject any or all applic . Period During which the Tenders are Binting 120 days from the date appointed for the opening of the Connctal (

i. Opening of Tender hr Qualification Document will be opened by the Tender Co nglacts (Books) on 17th February 1993.

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### More Delay Alitalia Reveals In Store for Malev Stake Is 30%

Tuesday that the stake it agreed last week to buy in Maley, Hungary's national carrier, was 30 percent and that other Italian interests were buying an additional 5 percent holding for a total cost of 100 bil-

lion lite (\$71.7 million) The Italian state-controlled airline had announced on Friday that it won the bidding to partner with Maley Hungarian Airlines Rt., but it refused to reveal the size of its stake or the amount it paid. Along with the Alitalia stake, a 5

percent holding was taken by SI-

MEST, an investment group con-

trolled by Italy's Ministry of Trade and by Italian banks. In Budapest, Hungarian officials said Hungary has retained 51 percent of Maley, and employees and Hungarian investors will have 14

Alitalia said the investment would develop into "a commercial Eurotunnel expressed concern the and operational integration between the two airlines, in particular with regard to European and long-

haul services."

The Italian airline is to get three the project as early as already joint- of the nine seats on Maley's board agreed possible with TML so of directors. Alitalia said Maley has ly agreed possible with TML so of circulors, cannot be that it can open for revenue service a fleet 31 planes. Last year, Maley in December 1993."

Cannot be service arrived 2.09 billion forints (\$25.7 arrived The project, started in 1987, has million), up 57 percent from 1990, been beset by problems that have on sales of 22.55 billion forints, up

> For this year, Maley, the most profitable among East European airlines, will have carried 1.2 million passengers, and its forecast revenue is \$330 million.

The two airlines said they expected to carry 21 million passengers in 1992 and their total revenue will be \$5.8 billion. Together they will have a fleet of 182 airplanes. The Maley sale concludes a long search for a strategic partner for the Hungarian airline. Alitalia said

#### British Midland Is Rebuffed by EC On Dan-Air Deal

Compiled by Our Staff From Dispatches BRUSSELS - The EC commissioner for competition policy. Sir Leon Brittan, said Tuesday he had rejected a complaint by British Midland Airways against British Airways' purchase of Dan-Air, but that he was going ahead with a separate inquiry demanded by Belgium.

Sir Leon said British Midland had added nothing to a complaint already rejected by the British authorities. British Midland's complaint was based on an EC rule that bars companies from abusing their market dominance or trying to reinforce it at the expense of rivals. The commissioner stressed the EC Commission had no choice but to act on Belgium's demand for a

merger regulation. Saying the Belgian government was "right to question" the BA/Dan-Air deal, the chairman of British Midland, Michael Bishop, wel-comed Sir Leon's review. He called "good news for the consumer, for airlines and for the concept of real competition in Europe." (Reuters, Bloomberg)

separate inquiry under the EC

it would be deeply involved in strategic decisions made by Malev. Alitalia was bidding against Deutsche Lufthansa AG last week. British Airways PLC and KLM Royal Dutch Airlines showed in-

of the bidding.
The stake in Maley is Alitalia's first equity holding in a foreign airline and reflects its struggle for (Bloomberg, Reuters)

terest earlier, but they dropped out

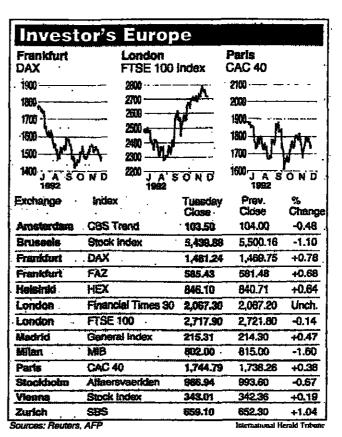
### New Outlay for Polish Steel

WARSAW - The Italian steel company Lucchini Siderurgica SpA said Tuesday it would invest \$150 million to modernize Poland's largest steelworks.

Huta Lucchini Warszawa was registered in November as a joint venture with starting capital of more than 1 trillion zlotys (\$67.8 million). The new investment will update technology at the plant near Warsaw and improve environmental controls, the Polish news agency, PAP, reported.

Ugo Calzoni, Lucchini's financial director, said the investment could make the mill Europe's largest producer of quality steel within three years, PAP said.

The Italian investment is the third-largest foreign commitment for post-Communist Poland, the government said.



#### Very briefly:

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 KLM Royal Dutch Airlines will pay Philips Electronics NV 75 million guilders (\$42.5 million) to install personal video players in the airline's

first- and business-class seats. Akzo NV said it plans to invest 25 million guilders at its Delfzijl, Netherlands, plant due to an expected increase in demand for chloro-forms as a replacement for chlorofluorocarbons, whose use as coolants is

damaging to the Earth's ozone layer. • Trygg-Hansa SPP Holdings AB of Sweden will take a 10 percent stake in another insurance concern, Protector Foersikring A/S of Norway, by acquiring new shares for 10 million kroner (\$1.5 million).

 The European Bank for Reconstruction and Development recommended to its governors that Croatia be admitted to membership in the bank. • Fiat SpA of Italy said it would raise car prices by 3.8 percent on Jan. 2;

its last price increase was June 1. Accor of France, whose principal business is operating hotels, expects net profit to rise 15 percent in 1993 from the current year, with per-share earnings rising to 39 francs (\$7.29) from an expected 36 francs in 1992. • Car sales in Germany will plummet 17 percent next year, the biggest fall in Europe, while the number of German-made autos will slide by 430,000 to 4.4 million, the research firm Marketing Systems predicted.

AFX, AFP, Reute

### Christies Revamp to Cost 60 Jobs

LONDON - Christies International PLC, the auction house, said Tuesday it was restructuring its specialist departments and cutting about 60 employees worldwide.

"It is with reluctance that Christie's takes this step," said Lord Carrington, Christie's chairman, "but it is part of the process of further reducing costs in a market where the level of sales remains relatively low." The job cuts will be mostly in administration, the auction house said.

Under the restructuring, Christies major specialist departments will form five key divisions, each reporting directly to a board member. The five departments are 19th- and 20th-century pictures, jewelery, old master pictures and drawings, Islamic works of art, and carpets and Oriental pictures and works of art.



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### Some Cry Wordplay As Japan Rules Out Selling Deficit Bonds

TOKYO - The new Japanese finance minister, Yoshiro Hayashi, said Tuesday at his first major press conference that he opposed selling bonds to cover a national budget deficit. Analysis said he was

playing a word game.

"The fact of the matter is that they can cover a budget deficit by selling construction bonds," said Marshall Gittler, bond market analyst at Merrill Lynch (Japan).

On paper, Japan is the virtually the only advanced nation without a budget deficit that it must cover with bond sales, instead, Japan

sells what it calls "construction bonds," which the government says are issued to raise money solely for public works projects.

Analysts pointed out, however, that high spending needs amid the current economic slowdown likely would cause the Finance Ministry to raise more money through bond sales, whether the bonds are

labeled deficit, construction or municipal.

The semantic exercise in Japan is one that the U.S. president-elect. Bill Clinton, stems willing to adopt. At the opening Monday of a two-day economic conference in Little Rock, Arkansas, Mr. Clinton said, "There's a difference between borrowing money to invest in the future and borrowing money to make the payroll."

He was quoted by The Associated Press as saying, "Should we re-

examine this premise at the national level?" The Japanese Finance Ministry, analysts said is unwilling to appear as if it is headed toward the seemingly insurmountable fiscal problems facing the United States. The U.S. budget deficit is something Japan will avoid, they said, even if it means calling deficit

financing something other than it is.

The government began issuing deficit bonds in 1972, which caused a balance sheet shortfall that it had to keep rolling over until 1989.

"When a government sells what it calls deficit-financing bonds, it makes the markets think it has budget problems," said Mr. Gittler.

'It just doesn't look good." The Finance Ministry expects 61.3 trillion yen (\$495 billion) in tax revenue for the next financial year, analysts said. It will issue construction bonds of about 8 trillion yen to make up part of the shortfall, and the rest will likely come from such fundraising meth-ods as the supplementary budget to be implemented later in the year. One option, which the ministry chose to take this financial year, is to

increase the amount of bonds sold on the regional level in the form of municipal bonds to raise money for spending by local governments.

"There are a lot of different tricks the government can do to get by without selling the so-called deficit bonds," said Manami Katsuragawa, a credit market analysis at Daiwa Securities.

Analysts said the 0.4 percent increase in the budget for the next year widely underestimated the spending needs of a government that is pumping money into the economy to revive growth. They said the ministry's estimate of 61.3 trillion yen in tax revenue was overoptimistic because of the decline in funds resulting from the slowdown.

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# Spur Stocks In Tokyo

TOKYO - The benchmark

Nikkei 225 average surged 1.1 percent Tuesday on a speculative rally fueled by hopes that weaker-thanexpected data on machinery orders would lead to a cut in interest rates. Private-sector machinery orders,

excluding orders from shipbuilders and electric utilities, plummeted 30.7 percent year-on-year in October, to 799.1 billion yen (\$6.5 billion), and fell a seasonally adjusted 28.6 percent from September, the Economic Planning Agency said. The year-on-year drop in Octo-ber followed an 8.0 percent yearon-year fall in September. Orders rose by a seasonally adjusted 7.9

percent from August. The Nikkei average rose 190.77 points, to 17,480.74.

The weak data sparked a rally in futures prices on the chance that the Bank of Japan would lower the discount rate from 3.25 percent to spur the economy, said Wayne Rayner, a trader at Sanyo Securi-ties. Nikkei futures contracts for March delivery rose 280 points, to 17,610, in Osaka, and rose 335 points, to 17,635, in Singapore. ■ Matsuzakaya Shares Soar

Shares of Yokohama Matsuzakaya, the department store, rose sharply Tuesday after Tokyo brokers received an anonymous fax saying that Harrods, the London shop-ping landmark, would purchase 20 percent of the Japanese company. Matsuzakaya, a department store operator, owns 50 percent of Yokohama Matsuzakaya, which had sales of 29.2 billion yen in

The stock rose 80 yen, to 540, in the last minutes of trading after failing to trade for most of the day on an imbalance of buy-to-sell orders. Dealers said they doubted the validity of the letter, however.

### Weak Data China Will Cut Tariffs 7.3%

Compiled by Our Staff From Dispatches

BEIJING — China, aumouncing details Tuesday of its largest reduction of import tariffs ever, said the cuts would take effect Dec. 31 and knock 7.3 percent off the Other mea country's general import levies. It also said it would stop

enforcing unpublished regulations that deter trade.

A spokesman for the State Council's Tariff Regulations Commission told the official China Daily newspaper that the reductions would speed China's re-entry into the General Agreement on Tariffs and Trade.

Thing said is expected in GATT application to be China said it expected its GATT application to be approved next year and has promised to cut its overall

tariff level to 15 percent, comparable to that of other developing countries in the world trade body. The move also shows China's willingness to fulfill

Vodafone Wins Bid in Australia

Bloomberg Business News

CANBERRA — The Australian government accepted a 140 million Australian dollar (\$96.3 million) bid from the Arena GSM consortium, led by Vodafone Group of Britain, for Australia's third

A rival bid by the SinTel consortium, led by Singapore Telecom, was rejected. Hutchinson Telecommunications, based in Hong

Robert Millington, an analyst at Barclays de Zoete Wedd in London, said the decision would boost the value of Vodafone shares,

but gains will be limited because the company had been viewed as the front-runner. Vodafone shares closed Tuesday on the London

Kong, withdrew from the bidding in September.

Stock Exchange at 413 pence (\$6.47), up 4 pence.

Beijing. "I would expect the U.S. trade representative will see these reductions as another positive piece of

Other measures the country is taking include reducing the need for licenses on two-thirds of imports within two years, according to Tong Zhiguang, vice minister of foreign economic relations and trade.

In response to complaints from foreign business executives that the authorities often enforce regulations that are unpublished, Mr. Tong pledged that all documents on trade management would be made public in a year. After that, the government will implement only regulations that are on public record, he said.

The government will cut tariffs on 3,371 kinds of commodities from Dec. 31 in the broadest reductions

its October agreement with the United States to improve market access. The agreement, which narrowly averted a trade war, stipulated China should "significantly reduce" tariffs by Dec. 31, 1993.

"These are significant tariff cuts," said John Frisbie, director of the U.S.-China Business Council's office in

### Taiwan Airline Begins Public Offer

Applications to buy the 41 million shares, priced at 68 dollars

China Airlines is currently 85 per-16-19, the airline said. It plans to Development Foundation, techni-

mobile telephone network.

list the stock on the exchange in

mid-February.
"The offer will help us raise TAIPEI — Taiwan's flag carrier
China Airlines on Tuesday
launched a public offer of shares
worth 2.8 billion Taiwan dollars
(\$110 million).

mid-February.
"The offer will help us raise
money to repay debts and finance
purchases of new planes." a
spokesman said, adding that the
airline planned to expand its interspokesman said, adding that the airline planned to expand its inter-

will be accepted from Dec. cent owned by the China Aviation

cally a private body. The remaining 15 percent was sold to local compa-nies and airline employees in share placements that began late last year. The public offer will reduce the foundation's ownership to about 80 percent, the spokeswoman said.
Foreign investors will be permitted
to buy the shares on the market.

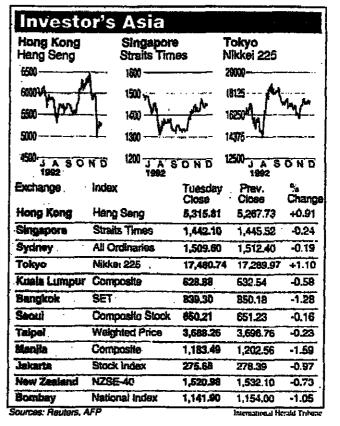
Buoyed by Taiwan's economic boom and rising overseas travel by its citizens, the airline has been profitable in the past few years.

Pretax profit rose 18.7 percent

from a year earlier, to 4 billion dollars, in the first three quarters of 1992, while sales were up 3.8 percent, to 33 billion dollars, the spokesman said.

A recent survey by Fortune Mag-azine found China Airlines was the world's fourth most profitable airline, behind British Airways, Singa-pore Airlines and Cathay Pacific Airways, the spokesman said.

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#### Very briefly:

• LM Ericsson AB said it agreed to form a joint venture with local partners in Guangdong province of China to sell and support mobile cellular systems beginning in early 1993.

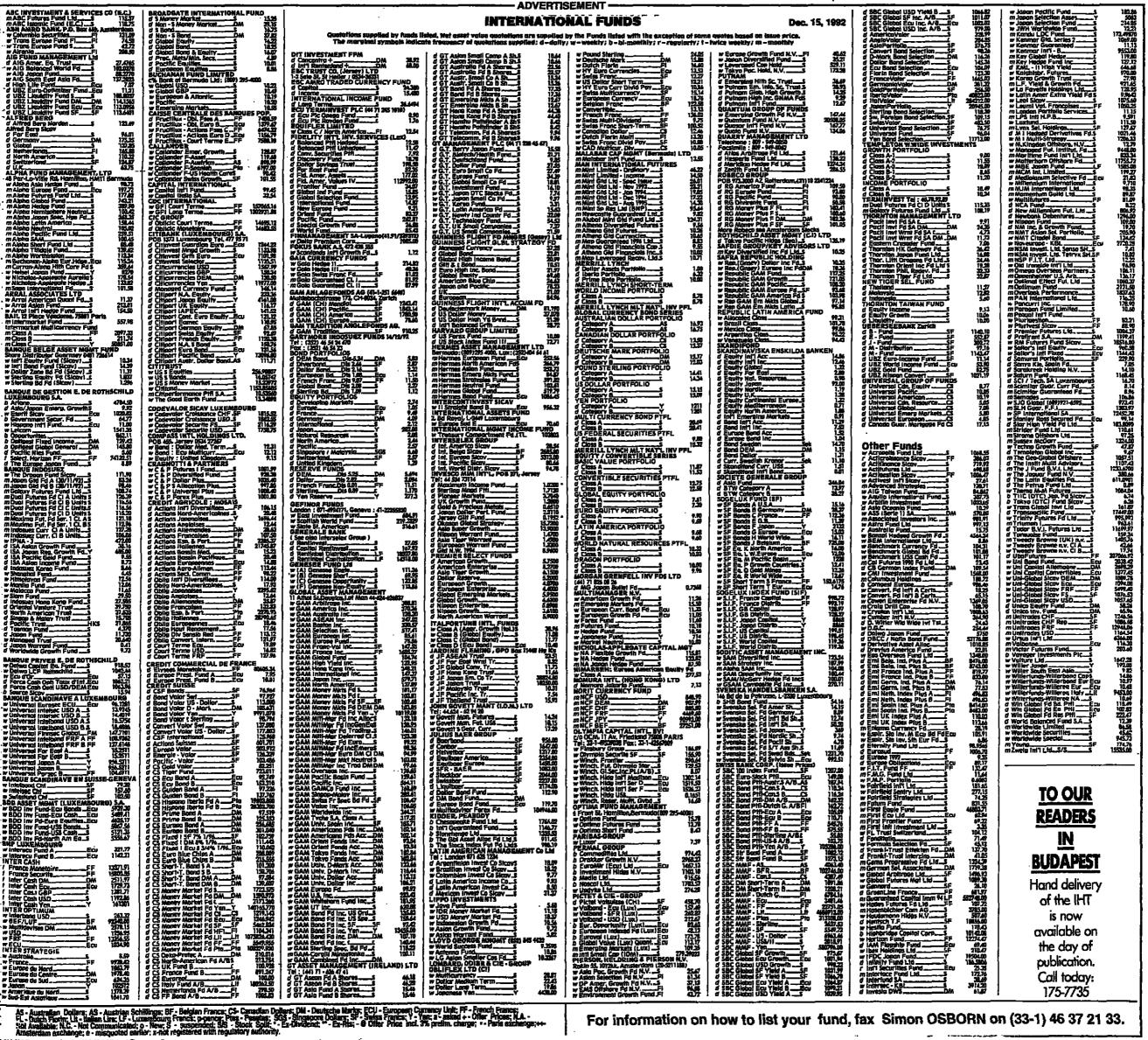
• India, buoyed by a good monsoon season, is expected to produce a record 176 million tons of grain in the 1992/1993 year, below the official target of 183 million tons but up from 171 million tons a year ago.

The Philippine Economic Planning Department said the country's economy would grow only 1.5 percent in 1992, down from estimates of as much as 2.5 percent, with the drop attributed largely to power shortages.

• Samsung Heavy Industries Co., a South Korean shipbuilder and machinery maker, said it had received an order worth \$100 million from Singapore's port authority,

 Beaconsfield Gold Mines Ltd. said shareholders have approved a proposal to reconstruct a Tasmanian mine which was once one of Australia's richest producers but ceased production in 1914.

 Japanese companies raised their winter bonuses for employees by only 0.52 percent in 1992 from a year ago, the smallest rise since 1980, according to an employers' survey. Reuters, AFX, AFP. Bloomberg



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### SPORTS SKIING

### Bianchi Wins Slalom, Tomba Second Again

MADONNA DI CAMPIGLIO, Italy --- Pa-trice Bianchi of France, overcoming the pain of a knee injury and taking risks that local favorite Alberto Tomba did not, on Tuesday won his

second World Cup slaiom race.

The 23-year-old from Val D'Isère, who hit his right knee against a gate in a slalom in France last week, overcame a near-spill midway through the second run to post a winning aggre-

gate time of 1:35.12 minutes.

He came from four places back in the first heat to beat Tomba by 0.11 seconds for the first French victory this season, and the first by a Frenchman on the Miramonti track in 23 years.

Tomba, cheered by 10,000 fans, failed to win for the fifth consecutive time in his favorite gate races and for the third time in the slalom. 'And, for the first time in his career, the Italian failed to win a World Cup race in the

first month of the yearly competition. "I did not push in the first run because I was áfraid of missing a gate," said Tomba. "Bianchi took a lot of risks in the second heat and I

But, following Sunday's third place in the giant slalom at nearby Val Badia and his second place here. Tomba does have the lead in the overall Cup standings, with 256 points. Fourtime World Cup champion Marc Girardelli of Luxembourg, first in Val Badia but a distant 20th in Tuesday's slalom, fell to second place, nine points behind Tomba.

Norway's Jan Einar Thorsen, who did not start here, held third with 197 while Bianchi climbed to eighth place with 180.

. Tomba, the only skier to win consecutive Olympic titles, in Calgary and Albertville, will turn 26 while racing Saturday at the Slovenian resort of Kranjska Gora, where a giant slalom and a sialom are scheduled over the weekend. "I have two more chances in the next races at Kranjska Gora and I hope to give myself a birthday gift," Tomba said, adding that "Girardelli and specialists of speed races are going to fight back in the January races."

Bianchi, who first won a slalom in Garmisch-Partenkirchen, Germany, last season, said he had a small advantage in the second run, because it was set by Stefano Dalmasso, the Italian coach of the French slalom team.

"I nearly missed a gate on the top. Then I decided to take all risks. I nearly fell in the lower part, i made several mistakes and I really could not believe I was the winner," he said. He said his right knee caused him problems

"Because of this injury I will only race the slalom in Kranjska Gora, giving up the giant slalom," Bianchi said, adding that "I hope that no surgery is needed" on the knee, which will be examined again after Sunday's slalom.

Thomas Sykora, a strongly built Austrian sialom specialist who has been off to a good start this season, placed third as the big World Cup names had a disappointing day.

Olympic slalom champion Finn Christian
Jagge of Norway, last year's winner here, finished 14th with a gap of 1.73 seconds.
World Cup defending champion Paul Accola
of Switzerland finished 17th and fell to 13th

Austrian Bernhard Gstrein, the fastest in the

first run, made a streak of errors in the second run and slipped to eighth place. Teammate Hu-bert Strokz, who had stunned the crowd with the fastest first run, then was disqualified for straddling a gate on the top of the course. Norwegian ace Kejtil Andre Aamodt was also disqualified. Patrick Staub of Switzerland had the fastest

econd run, 49.54 seconds, which earned him fourth place. • The men's downhill race in Val d'Isère that was called off Dec. 4 because of high winds will be held at Garmisch-Partenkirchen on Jan. 8,

Reuters reported. The German resort is also scheduled to stage another men's downhill and a slalom on the following two days.



### **UEFA Quarterfinal Draw Favors Ajax**

GENEVA — The reigning UEFA Cup champion, Ajax Amsterdam, was handed the ideal draw Tuesday for its bid to retain the trophy when it was paired with Auxerre of France and avoided the big guns Juventus, Real Madrid and Benfica in the quarterfi-

The Dutch club's good luck in dodging the other three former European champions, coupled with the psychological advantage of playing the second leg of its tie against Auxerre at home, makes it a strong favorite to reach the

France's other team in the tournament, high-riding Paris St. Germain, was given an equally tough task when it

was drawn against six-time European champion Real Madrid.

Italy, which like France has two expect two tough matches." teams in the last eight, remained on course for gaining a UEFA Cup finalist for the fifth straight year when Juventus and AS Roma were kept apart.

Juventus will play Benfica in a show-down between two former European champions and Roma, the losing 1991 finalist, will face Borussia Dortmund of

Auxerre's dismay at being drawn to play Ajax was summed up by the club secretary, Michel. Billard, who said, We would have preferred any other club, especially as Ajax has such a formidable reputation in UEFA club com-

"We would also have preferred to have played the first match away. We

But the Ajax club president, Michael van Praag, while delighted at playing the March 3 first leg at Auxerre, was cautious about the tie against the 1990 quarterfinalists, currently fourth in the French league.

"The French clubs are really very strong this season and we are not going to take any chances," he said.

"All eight clubs at this stage in the UEFA Cup are equally strong and in my opinion much stronger than the champions league."

Real Madrid, struggling to find its best form in the Spanish league this

### The UEFA Cup Draw

Quarterfinals
First les March 3, second les March 17
AS Romo vs. Borussio Dorimund
Real Madrid vs. Paris SL Germain
Berdicz Lisban vs. Juventus Turin
Auxarre vs. Alax Amsterdam

season, was equally cautious about being drawn against a rejuvenated Paris

Manuel Fernández, Real's international manager, said that "Paris St. Ger-main is a very good club, a prestigious club which has already eliminated Na-

a club we can underestimate "The problem is that the Spanish media and public expect us to win everything and we are always under great ssure. We can look forward to two

poli and PAOK Salouika. They are not

#### the repatriated Torino winger Müller. This Rai is familiar. In his long, lean body, his ability to create out of languidness and his eye for a chance, he resembles a man who captained Santana's 1986 World Cup team. He should. Rai, 27, is the younger brother by 11 years of Socrates, the medical doctor whose exotic name and unforgettable style were woven into Santana's pressure, we chard matches."

the Murumbi stadium.

beliefs on how soccer should be played. On Sunday, another former great performer, Johan Cruyff, admitted that his Barcelona team lacked the rhythm that Rai and his playmates conjured up. And Rai scored both São Paolo goals, the first with an almost horizontal dive to chest

A Gift From Brazil

ONDON — Tis the season when old friends come a calling, and none will

be more welcome than was Tele Santana, with his spirited gift of of samba

soccer, when São Paolo came from a goal down to outplay Barcelona for the World Club Cup in Tokyo.

Deciding the title on a single match between jet-lagged opponents is not foolproof, but it is as near as we get to an official world champion each year and as Santana justifiably said, "We conquered on merit."

Indeed, they did. They lifted the soul of this grand old game, inspired young Japanese fans to cascade onto the field Sunday to mob the players. It had never happened that way before. Not in the decade that Tokyo has

hosted the Europe South America champion of champions match have the

came to us only via the keyhole of television, but some among us have refused to

winning without style is worthless. In two
World Cups, 1982 and 1986, his teams expressed the joy of the real game, yet
when they failed to win the trophy he was pilloried and even stoned.

In his own youth he had been called "Thread of Hope" because, though

slight, his spirit was enormous. We can only guess at how many times th

thread might have snapped, but on at least three occasions he "retired," and

three times he came back because, although he admits that as a consequence he

scarcely saw his children grow up, he was addicted to proving that the

For two decades he has fought the physical fitness coaches in his country who took the movement, the imagination, out of Brazilian play in the misguided

belief that they could never match the European method and mentality.

This "Europeanization" put despair into hearts from Pele down. Yet in Brazil,

This year, the Maracana, the most famous soccer bowl in the world, reached

such a state of decay and neglect that a part of it fell, crushing spectators. It is now

closed, and no one knows when an economic miracle can be found with which to resurrect it. But fallen, the structure symbolizes the corruption within the game

itself — the violence on the field, the doping, the mis-administration around which even the No. I soccer nation in the world is losing its fanatical appeal.

At one recent league match attendance was recorded as 64. Yet in São Paolo,

The crowd numbered 90,000. From the other side of the world, again via

satellite, we could feel the old sensations: The rhythm of play, the beating of

I TWAS THE first leg of the Paulista League Cup final against Palmeiras. It represented, in cameo, the struggle for Brazilian play: There was outrageous inventiveness, the flicks and touches that seem to shorten to breathtaking degrees

Yet there were atrocious fouls, men hacked in full flight, red cards, mayhem. In the end, however, class told. São Paolo's captain, Rai, scored three goals of predatory instinct served by galvanic runs and passes from fullback Cafu and

the transmission between an idea in the brain and a movement in the feet.

drums, the sheer fascination of men toying with the ball.

Santana has built a side that people clamor to see. A week ago, just before flying to Tokyo, the team played its 82d match of a chronically overburdened year in

the individual skills kept emerging even though the foundations crumbled.

abandonment of Brazilian style was not a prerequisite to winning.

Japanese spectators witnessed the authentic flow of Brazilian soccer. Those of us who have were almost dancing across our living rooms. Sure, it

It is high time Telé Santana had this day. Santana is the champion to all who believe

give up the ghost on having our memories

To Fit the Season

home a cross from Müller, the second a free kick hit with such deception that even a goalkeeper of Andoni Zubizaretta's vast experience could not get a hand Barcelona could have lost by the same 4-1 margin that São Paolo beat it in à rehearsal in Spain last August. No doubt a certain Mr. Berlusconi of Milan is

right now burning somebody's ear to fix up a television money-spinner between his own multinational team and the Brazilian champion. Better be quick, Silvio; quick and patient. Nothing lasts in Brazil these days and already the monied clubs of Europe are sniffing around São Paolo; already

Marseille's bid for Rai is in. play too much, travel too far, should experience the sapping schedule of the Brazilians, and it is the eighth wonder of the world that they can come out fresh and excited twice, three, even four times a week because their daft club directors

so overplay them. This Wednesday, for example, Rai will be back in Brazil playing against Germany. Two matches after that, he starts Christmas week with the second leg

of the Paulista Cup.
I don't know how Rai persuaded himself he's as good as Socrates, and I don't know where Santana finds the mental capacity to keep on trying to paint a canvass of light out of the depression in Brazilian soccer. But none of us can question what counts in Brazil, where they are busy building a monument to

Pelé on the hill facing Rio de Janeiro's statue of Christ.

From there to Tokyo is quite a journey, but there, on Sunday, Tele Santana, now 61, for once in his life said, "I don't have words to express my happiness." I can offer him two: Jogo bonito. They are the words, meaning pretty football, he has used to insist and insist and insist down the lost years that Brazilians keep. the faith in playing their way.

Rob Hughes is on the staff of the Sunday Times.

### Knicks Run Garden Record to 11-1 As Ewing-Mutombo Rivalry Flowers

NEW YORK - Like Patrick Ewing, their fluridden center, the New York Knicks came alive in

II points while playing against fellow Georgetown mnus Dikembe Mutombo, who scored 15 and had 10 rebounds.

"But after a sluggish first half, the Knicks woke up in the third quarter and beat Denver, 106-89, on

#### **NBA HIGHLIGHTS**

Monday night to run their record in Madison Square Garden to 11-1 this season, the best in the NBA. It was the Nuggets' fifth straight loss. - Ewing said Mutombo was the only reason he didn't take the night off.

"That's why I played," said Ewing of the friendly fivalry. "I should have just gone home to sleep."

'Charles Smith scored 23 points and John Starks and Rolando Blackman each added 17 for New York, which has won nine of its last 12 games.

dden center, the New York Knicks came alive in esecond half.

"For some reason we did not have the energy level in the first half," said the Knicks' coach, Pat Riley. "It was sort of like watching paint dry." Ewing logged only 12 minutes that half after being accidentally elbowed in the face by Mutombo with 8:20 left in the second quarter. But he mal application to include golf in

> tively, in the first half, both came alive in the third quarter. New York took its first 10-point lead, 61-51, with 4:43 left in the third quarter. It came on a three-point play by Ewing and capped an 11-6 run that featured seventh straight points by Ewing,

and Mutombo, held to two and four points, respec-

who had nine in the quarter. Mutombo, meanwhile, scored 10 in the period

16 in the first quarter and trailed 44-39 at halftime. for the Olympics.

#### SIDELINES Golf's Bid Passes First Test at IOC

LAUSANNE, Switzerland -The International Olympic Committee took a first step Tuesday toward including golf in the 1996. Olympics at Atlanta. The U.S.-based World Amateur

the next Summer Olympics. The IOC's Program Commission

agreed unanimously to forward the application to a meeting of the IOC executive board next March. If the proposal passes there, a full com-mittee session in June must give final approval.

Objections that Augusta Nationbut the Nuggets could pull no closer than eight.
New York led, 76-63, after three quarters.

Objections that Nationals New York led, 76-63, after three quarters. discrimination were not addressed

#### Marlins Sign Japan Homer Champ MIAMI (AP) - Orestes Destrade, the three-time Japanese League home run champion, has signed a contract to play for the Florida

Marlins, the major league team announced Tuesday.

The two-year deal will pay Destrade, a Cuban who grew up in Miami, an estimated \$3.5 million. Destrade, 30, played four years with the Seibu Lions, hitting 42, 39 and

41 home runs the last three seasons as the Lions won the Pacific League championship each year. He played in 45 major-league games in 1987-88 with the Pittsburgh Pirates and New York Yankees, hitting, 182 with one home run.

#### For the Record

Arthur Ashe, 49, the only black man to win the Wimbledon championship, who revealed last April that he has the AIDS virus, has been selected

sportsman of the year by Sports Illustrated magazine.

(AP)

Ukio Katayama of Japan will drive for the Tyrrell team in the 1993

Formula One races, the team said on Tuesday.

(Reuters)

Wilson Carlos Maño, the Brazilian international, will play for Yamaha next year as it bids to join Japan's first professional soccer league, the club said Tuesday.

Swedish police officials said the cost of security for the European Championships in June had cost between \$22 million and \$25 million; The Nuggets, averaging 107.8 points per game by the commission, which rules and 108.8 in their four previous losses, were held to only on whether a sport qualifies their four previous losses, were held to only on whether a sport qualifies the defensive end who broke his neck Nov.29 and has been been been by the commission, which rules the commission only on whether a sport qualifies the commission of the partly paralyzed since, is showing signs of slight improvement. (NYT)

#### DENNIS THE MENACE



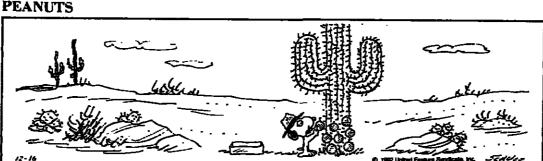
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### SPORTS FOOTBALL

### Just a Formality? **Baseball Clubs File Notice for Lockout**

By Murray Chass

New York Times Service NEW YORK - It may turn out to be a formality, but it may be the first move in the eighth work stoppage in the last eight labor negotiations between major league base-ball's club owners and players.

Donald Fehr, the head of the players union, disclosed Monday that the clubs sent to the federal Mediation and Conciliation Service last week a notice that must be filed 60 days before one side can engage in a work stoppage against

The clubs also sent such notice, required under the National Labor Relations Act, to the U.S. agency in November 1989, and the following February began a 32-day lockout of players from spring training camps. This year's notice was sent last Tuesday, the day after the clubs voted, 15 to 13, to reopen the collective bargaining agreement. An-nouncing that decision, Richard Ravitch the clubs chief labor exec-

utive, stressed that the clubs had not acted with a lockout in mind. There was not a single owner in the room who advocated that there be a lockout or that any decision be made about a lockout at this time,"

Ravitch said at the time. But filing the notice the next day once again raised the question of trust in the minds of the union's

Fehr acknowledged that the notice is often sent and often routine, but he added: "My only point is this reopening was accompanied by all kinds of suggestions that there was no threat, certainly no imminent threat, to the 1993 season as a result of these negotiations. If that's true, then there was no neces-sity at all to send this out at this

serve the option to shut it down in

the Player Relations Committee, said the primary purpose of the notice was to inform the mediation service that the contract is being reopened. Ravitch said the notice was sent as a legal requirement, nothing more.

■ Steinbach Stays Put

Terry Steinbach joined the list of free agents who have said no to the New York Yankees' millions. agreeing Monday to stay with the Oakland Athletics for \$14 million over four years, The Associated

Press reported. Oakland had been offering a \$12.5 million package to the catcher until the weekend, when the Yankees proposed a \$17 million deal. In rejecting the offer, Steinbach joined a group that includes Barry Bonds, Greg Maddux, Doug Dra-bek, David Cone and Jose Guzman.

"Money has never been my major focus," Steinbach said. "I would like my fair share, but I've never been one to jump on just the dollar amount. It's more the concept of what the A's have meant. They've stuck with me for 10 years and I felt a sense of loyalty. They came in with a very sensible offer."

In other deals, Bob Melvin, 31, the catcher who played in 32 games for Kansas City last season and hit .314 in 70 at-bats, agreed to a \$1.35 million, two-year contract with the Boston Red Sox, and Tom Foley, the infielder who had played the last six seasons with Montreal, agreed to a \$360,000, one-year contract with the Pittsburgh Pirates. Pitcher Mike Bielecki agreed to a

February. That's the point of this." Charles O'Connor, counsel for

Mark Higgs, who ran the Raiders ragged, also had a hand in the Dolphins' big play of the third quarter, a 62-yard touchdown pass.

mie Moyer agreed to a minor league contract with the Baltimore

Wade Boggs's agent continued talks with the Los Angeles Dodgers and the Yankees. New York is said

Schott Inquiry Continues to be offering three years and Los

Angeles two with an option.

minor league contract with the Mark McGwire, Ruben Sierra and Cleveland Indians and pitcher Ja-Ron Darling remain unsigned. Steinbach will get a \$2.8 million signing bonus, \$2.1 million in each of 1993 and 1994 and \$3.5 million in each of the final two seasons. He

The investigation into alleged ra-Angeles two with an option.

Steinbach is the first of the Athletics' key free agents to re-sign.

Dave Stewart left for Toronto and Mike Moore left for Direction and the steinbach is the first of the Athletics' key free agents to re-sign. Be completed before the Christmas holidays, The Associated Press re-Mike Moore left for Detroit, while ported from Pittsburgh.

Douglas Danforth of the Pittsburgh Pirates said Monday his four-person committee preferred to have all its members present when it interviewed Schott, who is scheduled to be one of the final witness-

The committee is just continuing its deliberations," Danforth said. "Each of us are still chatting with people who we think might have an input in the situation. That's about all I can say. We're moving as fast as we can.'

WORLD SERIES CUP

WORLD SERIES CUP (Limited-evers metch) Australia vz. West Indies Teesday, in Melbourne pilo Indings: 1984 Indies Indings: 194 It Australia wan by four runs,

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FOOTBALL

Danforth said the committee still did not want to set a deadline for the completion of the inquiry because "we don't want to leave people out who think they should be heard, both pro and con." Asked if the investigation could

be completed by the holidays, Dan-

forth said it was possible. Also on the committee are the American League president, Bobby Brown, the National League president, Bill White, and the California Angels' executive vice president. Jackie Autry.

MONDAY'S GAME

NEXT WEEK'S GAMES

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### **Dolphins Bruise** Raiders to Near **Spot in Playoffs**

The Associated Press

fense finally scored a touchdown ing with a 26-yard field goal. He and the defense got another as the Miami Dolphins beat the Los Anfourth quarter. geles Raiders, 20-7, and stayed in contention for the American Conference East title in the National

Football League. The result all but assured a play-off berth for Miami and left Los Angeles barely alive in the AFC wild-card race.

"They physically beat us," said the Raiders' quarterback, Jay Schroeder. "We expected to run the ball and physically pound on them a Jinle bit. They beat us to the punch."

J.B. Brown scored on a 35-yard

down in nine quarters when Dan the field. Marino hit Mark Duper on a 62yard flea-flicker. But Marino gave that touchdown back later in the third period when Eddie Anderson intercepted his pass and returned it

Anderson's return tied for the third longest in NFL history. Brown's score was just as sudden. He stepped in front of the intended receiver, Willie Gault, on a squareout pattern, caught Schroeder's pass in full stride and raced untouched down the sideline

The play came 20 seconds after MIAMI - The struggling of- Pete Stoyanovich opened the scor-

Miami's offense ended its drought in the third period when Marino handed off to Mark Higgs, took a pitch back and threw long to Duper. The veteran receiver slipped behind Ronnie Lott and Lionel Washington, caught the ball over his shoulder at the 20 and dashed to

the end zone for a 17-0 lead. Dwight Hollier recovered a punt muffed by Tim Brown at the Raiders' 16. But on second and goal at J.B. Brown scored on a 35-yard the 3, Anderson stepped in front of interception return and the Dolphins' offense scored its first touch- and weaved his way the length of

Marino had a clear shot at tackling Anderson at the Miami 20 but made a half-hearted attempt and grabbed only air.

Anderson's interception return was the longest in Raiders history. The previous team record of 97 yards was set by Mike Haynes

against Miami in 1984. Miami, which had lost five of its past seven games, can still win its first AFC East title since 1985 if it wins its final two games and Buffalo loses once, or if the Dolphins win to his first touchdown in four years one of two games and Buffalo loses

### After 5-Year Stalemate, NFL May Have a Deal

By Mark Asher

Washington Past Service
WASHINGTON — This much seems reasonably certain about the labor situation between National Football League owners and their agency —or more contentiousness, with both sides possibly returning

to federal court over a new issue: The NFL's college draft. Negotiators for the two sides

on Tuesday. The potential agreement reportedly included players with five important but lesser details. years of service in the league be-

when league salaries reach 67 percent of gross revenues (at which time the period for unrestricted free agency drops to four years); an agreement of at least six years; a reduction in the college draft from 12 rounds to seven, and a \$195

2.000 plaintiffs in antitrust suits. Later in the day, the NFL's seven-member Management Council was to be asked to ratify the deal; a simple majority vote was needed.

terms discussed last Wednesday, the rookie limit would be about \$2 million per team in the first year of the deal

The NFL's spokesman, Joe Browne, reiterated his earlier stateplayers: There is either going to be peace soon — ending five years of litigation over unrestricted free those details as substantive or ment that "a lot of work remains to be done." Asked to characterize those details as substantive or ment that "a lot of work remains to be done." chanical in nature, Browne replied, "Substantive."

This ran counter to what league players were being told by their representative, that all the concepwere to try to reach a written agree-ment on the major issues in Dallas another in a series of settlement negotiations last week and that all that remained was agreement over

What happens depends on what coming unrestricted free agents the committee does," Doug Allen, when their current contracts ex- associate executive director of the pire; a salary cap to be triggered NFL Players Association, was quoted as saying by The Associated Press. "The work is just about done."

If there is no settlement, the next step likely would be up to a federal eventual collective bargaining judge in Minneapolis, to whom the owners would then submit a new free-agency system. Also, as Gene Upshaw, executive director of the million settlement to the more than players association, said after a jury ruled that the owners' freeagency Plan B violated the antimisi laws, the players might next test the legality of the college draft. Quinn and Upshaw said after the verdict

### **SCOREBOARD** BASKETBALL NBA Standings Pct #67 #47 #80 348 394 #83 Utoh Houston Son Anto Denver Minnesot .778 484 467 432 432 421 333 Portiond LA Lokers LA Cilpeers Seattle Golden State Sacramento

College Basketball's Top 25 The Associated Press' pell, with first-piace rotes in parentheses, records through Dec. 12, and policy based on 15 palets for a first mines

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7	4. Indiana	7-1	1,471	4
	5. North Coroling	5-0	1,341	5
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	& iowa	58	1.158	
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2	TL Georgetown	4-0	879	11
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ź	13. UCLA	5-1	. 820	13
2	74. Syracuse	5-8	762	15
~	15. Arizona	2-1	738	14
	16. Purdue	4-0	604	18
	17. Georgia Tech	2-1	585	17
	18. Tulane	5-1	437	20
8	19. Cincinnati	3-0	427	19
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2	21. Louisville	1-2	318	9
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10, New York 32 (Masson 11), Assists—Denver
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E. Michigan 85, Ashigad 60 Indigao St. 52, Evansville 55 Alichigan 86, Cleveland St. 56 Alinnesota 93, Taxos-San Antonio 75 Wisconsin 101, Charleston Southern 72 FAR WEST to St. 38 St. Mary's, Cal. 49, San Francisco St. 39 UC Santa Barbaro 60, Peoperdine 55

HOCKEY NHL Standings WALES CONFERENCE Norris Division W L T Pts GF GA Chicaga Minnesolu Detroit Taranta St. Louis Tampa Bay

4. Leonard Stock, Austria, 198; 7. Franz Heinzer, Switzerland, 144; 8, (file) Patrice Blanchi, France, 140; Tomas Fagdoe, Sweden.

SKIING **World Cup Results** in porentheses): 1, Poirice Bionchi, i (45.24-65.88) 1:35.12 minutes: 2.Alberia

(45.24-69.8) 1:35.12 minutes; 2, Alberte Tombo, Italy (45.13-50.10) 1:35.22; 3, Thomas Sytoma, Austrio (45.13-50.10) 1:35.42; 4, Potrick Shouk, Switzerland (44.95-69.54) 1:35.47; 5, Oliver Kuenzi, Switzerland (45.43-50.79) 1:35.61, 6, Tomos Fogdoe, Sweden (45.96-69.94) 1:35.74; 7, Losse Klus, Norway (45.96-50.79) 1:35.74; 7, Losse Klus, Norway (45.96-50.79) 1:35.93; 9, Jure Kosic, Slovenia (45.96-50.91) 1:36.35; 10, Ole Christion Furusetiin, Norway (45.76-50.79) 1:36.35; 10, Ole Christion Furusetiin, Norway (45.76-69.47) 1:34.38. 11, Thomas Stangassinger, Austria (45.91-50.30) 1:34.29; 12, Maris Ericson, Sweden (46.23-50.16) 1:36.39; 13, Michael Von Grueinisen, Switzerland (46.35-50.21) 1:36.56.

Switzerland (44.35-50.21) 1:36.56.
World Cap sielem standings offer three reces: 1, Thomas Sylaro, Austria, 189 points; (fie) Poirtice Blanchi, France, 148; Tomas Fogde, Sweden, 148; 4, Hubert Stratz, Austria, 120; 5, Albert Tembo, Haly, 114.
4, Armin Bithmer, Germany, 116; 7, Fobrizio Tescari, 1614; 169; Michael Tritscher, Austria, 88; Bernhard Gebrein, Austria, 88; Bernhard Gebrein, Austria, 88; Mee's World Cap overall standings offer eight races likes seasoe: 1, Alberto Tombo, 160; 5, Spoints; 2, Morre Girrorletti, Luxembaura, 247; 3, Jon Einer Thorsen, Norwoy, 197; 4, William Besee, Switzerfond, 180; 5, Thomas Sylaror, Austria, 169.

AMERICAN CONFERENCE

Buffalo at New Orleans Houston at Cleveland .143 182 327 Minnesota of Pittsburgh New England of Cincinnati .786 341 212 .643 267 217 .643 317 222 .357 261 326 BOSTON—Agreed to two-year contract with Bob Metvin, catcher, Designated Jeff Gray, pitcher, for assignment.

Phoenix at Indianapa Washington at Philod Chicago at Detroit San Diego of Los Angeles R TRANSACTIONS BASEBALL American Leopue
BALTIMORE—Signed Jamie Moyer, pitcher, and Scott Coolboush, infletder, to minor leopue contracts and assigned them to Rochester.

REAL ESTATE

The agreement also would place last summer that they would go a limit on what each team can after the draft if a negotiated settlespend annually on rookies. Under ment could not be reached, REAL ESTATE TO RENT/SHARE TO RENT/SHARE PARIS AREA FURNISPIED PARIS AREA UNFURNISHED

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### The Fairy-Tale Cliché

By Russell Baker

YORK — The papers and the television keep reprating "storybook marriage." Eleven years ago with the same witless monotony they kept repeating "fairy-tale wedding."
What's a fairy-tale wedding? A

middle-aged bachelor and an upt-the-minute version of one of Evelyn Waugh's bright young turnes taking the vows - is that a fairy-tale wedding?

For a fairy-tale wedding you need a glass slipper or maybe a colorless prince willing to travel around trying to lit women's feet into the slipper or ready to kiss life into palpably undead housekeepers for dwarfs.

That business with the glass slipper would probably get a prince in dutch nowadays when everybody knows about foot fetishists and se ual harassers. Also for fairy-tale w. ddings there ought to be wicked witches, evil stepmothers, fairy gedmothers.

None of these would we tolerate for an instant today. We are too enlightened. We know stepmothers are just as nice as everybody else, and you know how nice that is.

Fairy godmothers turning pumpkins into coaches, rats into footmen, squalor into beauty: we know about fairy godmothers nowadays. They are nothing but metaphors, and metaphors are poetry, and who wants to mope around with poetry now when every grocery counter in America offers Heartbreak, Miracte, Tragedy, Split, Diet, Cancer, lawis and Spocking Truth?

As for witches, they now talk to reporters about the charity fundraisers of their covens, proving that even witches nowadays are publici-

Surely they will soon have a Whiches Association of America in Washington, which is to say, a lobby cut to persuade Congress that witches are just as nice as stepmothers, so deserve some subsidy money. may already be shamefully insenrative to suggest witches have to be

wicked to get into the sisterhood. Sisterhood? What are we saying? Half the typical coven in these gen-

der-speaking days probably has to b. composed of men witches. So much for the fairy-tale wed-ang of Di and Charles. The age.

for all its wonders, is stuporously bland in romance and even hostile to the poetic imagination. That's why the papers and the television can get away with telling us that overpriced show nuptials featuring two largely uninteresting persons is a fairy-tale wedding.

Yes, their destiny is to be as-toundingly rich and perform work of preposterous dullness while being called "Your Majesty" and "Ma'am." The papers and the television think we are so completely addled by astounding richness, preposterous duliness and "Majesty" talk that we will accept the fatuous fairy-tale wedding cliche, thus letting the papers and the television get away with reporting the story

After "fairy-tale wedding" came

with brains turned off.

"storybook marriage."
What's a storybook marriage?
Anna Karenina married to that dim bureaucrat Karenin and carrying on with Count Vronsky - is that a storybook marriage?

"Anna Karenina" is a big book and a wonderful story and marriage is what sets it in motion and leads to its grim conclusion. It is not, however, what the papers and the television have in

mind when they talk about the royal British "storybook marriage."
As a onetime maestro of the rewrite desk, I suspect "storybook marriage" is one of those empty phrases that sound exciting and

read like page-turner literature while concealing the fact that the writer hasn't the faintest idea what while conceal "Blazing inferno" is a typical representative of this newspaper prose family. It's faintly suggestive of Dante and it sounds as if the fire

must have been — must have been —well, what? I, who felled many a building in "blazing inferno," had not read Dante, didn't care whether infernos blazed or sizzled, and knew only that the things had burned down.

By talking of this week's news as the end of a storybook marriage, the media cling to the fairy-tale malarkey they created for the wed-ding. For British monarchy, however, this marriage tale may be as dark as the story of "Anna Karenina," which is not what most people mean when they say "storybook

New York Times Service

### Voltaire's Legacy: The Cult of the Systems Men

By Barry James International Herald Tribune

DARIS - Voltaire was an eminently reasonable thinker, but in the hands of modern man his ideas have been turned

into dangerous folly.

Thus argues the Canadian author John Ralston Saul who, in his latest book, "Voltaire's Bastards," says that the kind of critical thinking propounded by the philo-sophes of the 18th-century Enlightenment has degenerated into a cult of managerial, financial and scientific efficiency bereft of democracy or morality.

The result, he says, is the development of rational elites that know everything there is to know about their self-contained technical or scientific worlds, but lack a broader vision. They range from Marxist cadres to Jesuits, from Harvard MBAs to army staff officers, but they have a common underlying concern: how to get their particular system to function. Meanwhile, Saul maintains, civilization becomes increasingly directionless and incomprehensible.

"The single thing that modern managers and politicians cannot do properly is to manage," Saul said in an interview here. They can administer detail, but they cannot manage civilization."

Voltaire used the verbal rapier to prick the pretensions of his time. Saul uses the verbal blunderbuss. An energetic gadfly, he scatters scorn liberally on the technocratic elites that he says hold sway in virtually every Western country.

The book is long (more than 600 pages) and unremittingly contrarian — more a work of extended political polemic than of philosophy. It sometimes loses sight of the philosophical ramifications of the word reason, first by taking the philosophes' definition at face value and then by applying it indicriminately to a certain kind of modern systems mentality.

Another weakness, arguably, is that the book offers no solutions to the problems it identifies, or says what should be put in place of the systems it attacks. Saul argnes, however, that this is not the writer's role. "His task is to provide a reflection in which society can see itself."

The reflection is an ugly, but a thought-

According to Saul, "Were Voltaire to reappear today, he would be outraged by the new structures, which somehow de-formed the changes for which he struggled. As for his descendants -- our ruling elites — he would deny all legal responsi bility and set about fighting them, as he once fought the courtiers and priests of 18th-century Europe."

Saul judges society by its effects and its paradoxes. He sees democracies in which few participate politically; free speech hob-bled by pressure to conform; an obsession



John Rakston Saul says that the kind of critical thinking propounded by the 18thcentury philosophes has degenerated into a cult of efficiency, bereft of morality.

with free competition masking a vast subsidized market in armaments; a world of violence in which the number of people killed every day exceeds the daily losses of the French Army in the Great War. "If philosophy has nothing to say about

the way that society works, then maybe philosophy has got a problem," he said. The author said knowledge no longer is generally seen as a means of public enightenment, but is rationed out and used as "a means of power and control, and of self-affirmation over other people." The first thing that technocrats do when they get hold of knowledge is to guard it jeal-ously from outsiders, he said, the result

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"The single and shortest definition of civilization is the word language, because language is communication," Saul said.
"But language essentially no longer serves to communicate among the mass of the population. The nuclear scientists are no onger able to communicate with the medical specialists. The presidents of corporations cannot communicate with surgeons. They have turned their respective subjects into inaccessible dialects.

As a result, he said, the common language becomes increasingly confined to Sues a civilization of enormous cliches and irrelevancies, while secrecy ex-

tends its grip everywhere. In Britain, Saul noted, even the gardeners at the royal parks and the museum curators are bound by the Official Secrets Act.

Because of the combination of increasing specialization and declining communication, Saul argues, modern executives fail to see "that what does not seem to work in military strategy is, in fact, what doesn't

work in museum administration either." Good leaders. Saul said, are often not concerned with administration or managing detail, but with concepts and ideas. They may even seem lazy.

They have a tendency to stay in bed and get up late." Anwar Sadat of Egypt was a notorious late riser. Mackenzie King, a former prime minister of Canada, stayed in bed until noon. Winston Churchill frequently chose to work in bed, while President Charles de Gaulle, although accused of dictatorial habits, "often confined himself to correcting the grammar in his ministers' letters" — leaving them to get on with the details of administration while he pondered grander things.

Saul argues that the cult of efficiency and reason began with the Jesuits, who he said embraced a method of à priori reasoning, efficiency and secrecy divorced from ethical considerations — the idea that the end justifies the means.

He said modern civilization goes forther, because it marries Jesuit methodology to the concept of the nation-state and the overriding principle of raison d'état.

Systems dominate everywhere as do the systems men. At the same time nationalism has never been so strong, so much an end in itself."

Voltaire ridiculed the elite of his day as pitifully ignorant, of being incapable of thinking and asking questions and talking in wide circles. Saul says, however, that "the technocrats of our day make the old aristocratic leaders seem profound and civilized by comparison. The technocrat has been actively, indeed intensively, trained. But by any standard comprehensible within the tradition of Western civilization, he is virtually illiterate."

The author compared the polymath-sci entists of the 18th century to doctors today who earn hundreds of thousands of dollars, whose knowledge and vocabulary is limited to a single organ, whose acquaintance with literature is derived from the reading of a few formula thrillers and whose political understanding is limited to a schematic view of capitalism versus communism.

Saul said that the worst thing for modern elites is to admit doubt. In Socratic dialogue, every answer raises a question but "with the contemporary elites every question produces an answer." Thus ensues a civilization of enormous technologi-

#### **PEOPLE**

Streisand and Sony See For a 360 Million Deal

Barbra Streisand joins the mogni class: Sony has signed a \$60 million contract with the singer, putting her right up with the top earners, Madonna, Prince and Michael Jackson, according to New York Newsday. Streisand, 50, would get paid an estimated \$3 million for each film she directs and \$5 million for each album she produces over the 10 years of the deal. Streisand also reportedly will get a \$4 million advance per film performance, and SI million for each movie she pro-

The New Yorker reported that the spirit of Princess Disna's dead father sees "a new suitor in the new year" for the recently separated wife of Prince Charles, the princess's spiritual consultant said. Betty Palko, who has been Diana's dair. voyant since 1987, said she often speaks with the spirit of Diana's father, the late Earl Spencer, in the presence of the Princess of Wales.

A \$34 million film biography of Charlie Chaplin opens in London on Wednesday but has already run into carning from critics who say the bowler-hatted tramp be invented just isn't funny any more. Sir Richard Attenborough's tribute treads an uneasy tightrope between ador-ing worship of the Chaplin legend and poking around in the private life of the star, a womanizer who mayried four times and sired 11 children. He died in Switzerland in 1988, a multimillionaire who detested "talk-

The fashion designer Vivieune Westwood caused a stir on Tuesday when she left off her underwear for an audience with Queen Elizabeth II. Westwood, 51, known as the "Queen of Punk" for pioneering the punk movement of the 1970s, received an Order of the British Empire dressed in a respectable grey wool suit with long skirt and fitted iacket. Asked if she wore underwear to receive the honor at Buckingham Palace, she said: "I didn't actually. 1 wore tights and I have got a bra on but no knickers."

INTERNATIONAL CLASSIFIED Appears on Pages 4 & 23

Dew York Times, edited by Eugene Maleske

#### WEATHER



HENRY JAMES: The Imagination of Genius By Fred Kaplan. 620 pages. \$25. William Morrow & Co.

Reviewed by Michiko Kakutani

A NOTHER biography of Henry James? Since the publication of Leon Edel's magisterial and minutely detailed life of James the five-volume study was complet-ed in 1972 and is widely acknowledged as one of the preeminent examples of the biographer's art folly to attempt another portrait of the Master.

And only last year, R.W.B. Lewis sidestepped the problem of grappling with Edel's achievement

James family, which focused on Henry's affectionate rivalry with his brother William.

None of this seems to have deterred Fred Kaplan, the author of biographies of Dickens and Thomas Carlyle. His portrait of James, predictably enough, remains heavi-y indebted to Edel's, in its facts, its of James's fiction as an instrument for deciphering the author's life.

Considerable space is devoted to James's repressed homosexuality and his homoerotic feelings toward William; and a large portion of the narrative focuses on James's monetary difficulties and preoccupation with success. The resulting book, though certainly readable enough, lacks the vivid emotional chiar-oscuro of Edel's work; it provides the reader with a straightforward, by writing a group portrait of the depressingly deterministic portrait.

Dickens, Kaplan frequently assumes the role of psychoanalyst, finding in his subject's childhood and youth all the seeds of his later life and art. Henry, we are told, allowed his older brother to play the role of the self-assertive, self-dramatizing male, while he adopted a passive, feminine stance toward the world that enabled him to withdraw into an imaginary world

**BOOKS** 

In later years, Kaplan says, James's shyness and emotional reticence would turn him into a perpetual observer. As an artist, he believed, he could stand apart from the hectic world of passions and use that distance to give his observations a transcendent and redemptive form.

For a writer who led a fairly uneventful life (devoid of youthful

As in his 1988 biography of adventures glamorous civilian jobs and marital strife). James was remarkably busy, turning out books, stories, reviews and letters at a frantic pace, while keeping a heavy schedule of traveling and socializ-ing. His friendships with Edith Wharton, William Dean Howells, John Singer Sargeat, Conrad, Wells and Turgenev spanned the artistic worlds of America, England and France. His long lifetime encom-passed the Civil War and World War I, the Dreyfus affair and the

22/71 -6/22 16/64 10/50 -5/24 7/44 21/70 12/50 6/43

trial of Oscar Wilde in England. Unfortunately, this richness of incident in James's life frequently forces Kaplan into tiresome summaries of his subject's activities, poorly disguised laundry lists of places visited and people met. To-ward the end of the book, this compression of events gets even more exaggerated, as Kaplan hurries to of The New York Times.

like "The Jolly Corner" are skimmed over in a sentence or two. and pivotal events -like William's

When it comes to analyzing James's major works, Kaplan is decidedly more provocative, providing the reader with some interesting, if extremely Freudian, interpretations of the author's autobiographical impulse. The problem is that they are

overly reductive, always a liability in literary criticism, but especially so in the case of James, a novelist of sensibility whose very art depended on the subtle delineation of the nuances of the human spirit. Nick Bantock 11 GERALD'S GAME, by Ste-Michiko Kakutani is on the staff

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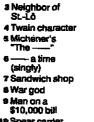
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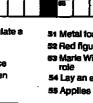
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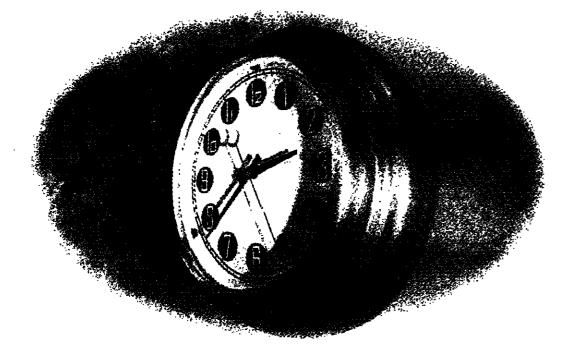
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